

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

-vs-

AARON MICHAEL SHAMO, et al.,

Defendants.

2:16-CR-631 DK

BEFORE THE HONORABLE DALE KIMBALL

DATE: AUGUST 16, 2019

REPORTER'S TRANSCRIPT OF PROCEEDINGS

JURY TRIAL

(Pages 786 through 955)

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2 P R O C E E D I N G S

3 * * *

08:07:24 4 THE COURT: Is there some question we need to talk
08:32:35 5 about?

6 MR. STEJSKAL: Your Honor, following the testimony
7 yesterday, I was approached by Mr. Crandall's father, and
8 Mr. Crandall's father informed me that he recognized one of
9 the jurors from having worked together at the LDS Church in
10 some capacity many years ago. I think he said five, seven,
11 nine years ago. He said they were not friends outside of
08:32:56 12 work. They weren't even close at work. The juror had never
13 met Drew Crandall, but he just wanted to let us know, and I
14 wanted to let the Court know that there was -- he did inform
15 me of that.

16 THE COURT: Okay. Anybody think that's an issue, a
17 problem?

18 MR. SKORDAS: I don't think it's an issue, Your
19 Honor.

20 THE COURT: Obviously the juror -- the father is
21 not a witness and so the juror didn't know him, and Crandall
22 is not that unusual a name.

23 MR. SKORDAS: Right.

08:33:28 24 THE COURT: I don't think it's a problem. And
25 neither of you do?

1 MR. SKORDAS: Correct.

2 MR. STEJSKAL: Correct, Your Honor.

3 THE COURT: Thank you, though, for bringing it to
4 the Court's attention. The jury is here and we're ready to
5 proceed, correct?

6 MR. GADD: Yes.

08:33:43 7 MR. SKORDAS: Yes, Your Honor.

8 THE CLERK: All rise.

9 (Whereupon the jury enters the courtroom.)

08:35:32 10 Please be seated.

11 THE COURT: Good morning, again, Ladies and
12 Gentlemen of the Jury. Well, we've almost got through
13 another week.

14 Mr. Sam, you may proceed with your cross
15 examination.

16 MR. SAM: All right. Thank you.

17 CROSS EXAMINATION

18 BY MR. SAM:

19 Q. Mr. Noble, good morning. Appreciate your coming
20 back this morning to finish up here.

21 If we could start off where are we left off with
08:35:55 22 the government's direct and go to Exhibit 23.05. If you
23 could pull that up.

24 And you remember this document from yesterday, I'm
25 sure?

1 A. Yes.

2 Q. Okay. And you're aware of it. And if we could
3 go -- highlight the two counts. And I think it's just on
08:36:27 4 the first page there -- that you plead to. So, as you
5 remember, you plead to conspiracy to distribute Fentanyl and
6 conspiracy to distribute Alprazolam?

7 A. Yes.

8 Q. Is that correct? And you understood what the
9 penalties -- potential penalties for those?

10 A. When I plead guilty, yes.

11 Q. To what you plead guilty to?

12 A. Yes.

13 Q. Okay. And then if we could go to the last page,
08:36:54 14 second to the last page of the 23.05 and then the sealed
15 addendum. Yeah. So at the bottom of that, it was your
16 understanding that, by pleading to this those charges, that
17 you would not be charged with the death resulting count; is
18 that correct?

19 A. That is correct.

20 Q. Okay. And then if we could go to paragraph 11 in
08:37:20 21 the 23.05. And I think that's page 3 or 4. Page 3. Okay,
22 yeah. In paragraph 11, there is -- what you agreed to your
23 involvement in this operation; is that correct? Is that
24 your understanding?

25 A. Yes.

08:37:58 1 Q. Okay. And if I could have you read that, and maybe
2 we'll pause as you go through that, but starting in
3 February, 2016, will you read that.

4 A. In February, 2016, I was contacted by Aaron Shamo
5 in Utah who expressed to me his desire for me to become the
6 backbone of a store in Alpha Bay, a Dark Net marketplace.
7 Shamo recruited me to be in charge of customer service and
8 processing orders of various controlled substances,
9 including alprazolam tablets and pills marked with oxycodone
10 but which contained Fentanyl. Aaron Shamo created a profile
08:38:29 11 for me, Dr. Wario, and gave me partial access to
12 Pharma-Master, Aaron Shamo's store on Alpha Bay.

13 My access allowed me to process orders and
14 correspond with customers as Pharma-Master, but I had no
15 access to the BitCoins or other account rights. I continued
16 to provide these services during 2016. Eventually I was
17 unable to keep up with the demands of my assignment, so
18 Aaron Shamo hired another person whose name I learned was
08:38:59 19 Drew to help with my responsibilities.

20 Q. And if I could pause right there. You stated that
21 you were -- had the assignment of customer service and that
22 there was some point that somebody else came on; is that
23 right?

24 A. That's correct.

25 Q. Whose name you learned was Drew; is that right?

1 A. That is correct.

2 Q. And how did you learn that?

3 A. Through a conversation with Shamo.

4 Q. Okay. At what point was that? Do you remember --
5 in I think in your testimony yesterday you stated that
6 you -- you weren't told by Shamo that Drew was involved?

08:39:27 7 A. I was told that Drew Crandall was not involved.

8 Q. Okay. Okay. So there's a distinguishment there.
9 You were told that somebody by the name of Drew was
10 involved?

11 A. Correct. I asked him, two Drews that I knew that
12 he knew, I asked him if it was those two gentlemen, and he
13 told me no.

14 Q. Okay. And that was your testimony. He told you
15 no, that it was --

16 A. It wasn't Drew Crandall, and it wasn't the other
17 Drew that we both knew.

18 Q. So it was your understanding that there was a Drew
19 that you were not familiar with?

20 A. Correct.

08:39:58 21 Q. Is that correct? So the identity of that other
22 person you did not know, you just had the name Drew, who was
23 not Drew Crandall or the other individual that you both
24 knew?

25 A. That's correct.

1 Q. Okay. And then, if you'll keep reading.

2 A. I stopped working for Pharma-Master for a short
3 time, but when my expenses mounted in October, 2016, I
4 contacted Aaron Shamo and again asked for work. Aaron Shamo
5 said that the other customer support person had been falling
08:40:28 6 behind and agreed to hire me part-time. For my part-time
7 work, Aaron Shamo paid me \$800 every two weeks. I worked
8 part-time for Pharma-Master until the store was shut down in
9 November 2016. When I worked for Pharma-Master, part of my
10 daily duties included pulling together a list of customers,
11 their mailing addresses, and the types and quantities of
12 drugs they ordered. Once I created the list, I would send
08:41:00 13 it to a -- send it in an encrypted form through an email
14 account Aaron Shamo created for me to co-conspirators who
15 were responsible for packaging the orders, affixing mailing
16 labels and postage.

17 During the time period I worked for Pharma-Master,
18 I processed thousands of customer service responses for both
19 tablets containing Alprazolam and pills containing Fentanyl.
20 I processed customer service responses for much more than
08:41:30 21 400 grams of Fentanyl.

22 Q. Okay. And I'll stop you there. So there's a --
23 there's a line through orders in that paragraph, correct?

24 A. Correct.

25 Q. And you changed that to customer service responses?

1 A. That was my main responsibility, yes.

2 Q. Okay. So that was your main responsibility, but
3 you were a part of the orders, too; is that correct?

4 A. I did ask -- or I did process some of the orders,
5 yeah.

6 Q. Okay. So you were -- in your testimony yesterday,
7 there was testimony that you gave that you sent the orders
08:41:58 8 to the shippers, correct, and encrypted email?

9 A. Correct.

10 Q. Okay. So -- so, the customer service responses was
11 just changed because that was your main -- your main duty
12 with the organization; is that right?

13 A. To correspond with the amounts listed in that
14 statement, the customer service responses was more
15 applicable.

16 Q. Okay. When it says thousands?

17 A. Correct.

18 Q. Right. Okay. So how many orders did you process?
19 Not thousands I guess? Is that why it changed?

08:42:29 20 A. Yeah I couldn't tell you a exact number now, but it
21 wasn't that many, no.

22 Q. Okay. All right. Thank you. And then if you'll
23 finish the last paragraph?

24 A. My co-conspirators and I each had a role to play,
25 and we relied upon on each other to meet our common

1 objective, to earn money by selling drugs. I knowingly and
2 voluntarily involved myself with Pharma-Master and my
3 co-conspirators. It was my free choice to do so.

4 Q. Okay. And that's why you're here today, because
5 you -- you plead to -- you have taken responsibility,
6 correct?

7 A. Correct.

08:42:58

8 Q. And you understand the gravity of the situation.
9 The penalty for conspiracy to distribute Fentanyl is a
10 ten-year minimum mandatory, maximum life. You understand
11 that?

12 A. I do.

13 Q. Okay.

14 A. Like I said yesterday, it was one of the worst
15 decisions I made in my life, but I did make the decision,
16 yes.

08:43:23

17 Q. Right. Now, if we could -- if we could go to
18 Exhibit 15.06, and I believe this was your email sent box;
19 is that correct as you look at that?

20 A. Yes.

21 Q. Okay. And so these emails were what you used to
22 send to the shippers when you did process an order; is that
23 correct?

24 A. That's correct.

25 Q. Okay. And if we could -- if we could go to page 50

1 and 51 -- or the bottom of 50, first, very bottom there.

08:43:58 2 There was -- this was dated June 7 when you sent an email to
3 the shippers, right? Pass The Peas were the shippers,
4 correct?

5 A. Correct.

6 Q. Okay. And then if we could go to page 51 at the
7 top, down to the attachment. Yes. So -- so this is a
8 continuation of that page, and it -- the attachment, what
9 does that read?

10 A. Are you asking where it says attachments at the
11 bottom?

12 Q. Right.

08:44:29 13 A. So 6-6.txt.

14 Q. And what did that mean 6-6?

15 A. That would have been the date.

16 Q. Okay. So 6/6. And what year was this?

17 A. 2016.

18 Q. Okay. And were you aware of what orders were
19 encrypted in this email?

20 A. I mean, I was the one that compiled them and
21 encrypted it, so yeah.

22 Q. Okay. So you had it printed out and encrypted it
23 and sent it?

24 A. Yeah. I had a soft copy, yeah.

08:44:58 25 Q. Okay. Are you aware that there is an order in

1 there that the government is claiming a death resulted as a
2 result of a shipment made from this organization?

3 A. I did not know that.

4 Q. You didn't know that. Okay. But you knew you
5 could be charged with that?

6 A. When?

7 Q. When you negotiated your deal with the government,
8 you knew that you could be charged with a death-resulting
9 count?

10 A. I was under the understanding that, with the plea,
11 that I would not be charged with that.

12 Q. Correct. Correct. That's why you entered the
13 plea; is that right?

08:45:27 14 A. Correct. Part of the reason, but yeah.

15 Q. Right. And if there was -- the government is
16 claiming a death-resulting count against Mr. Shamo on this
17 order. And you participated in this order; is that right?

18 A. That's correct.

19 Q. Correct. Right? And so -- and by pleading today,
20 you avoided that charge?

21 A. Correct.

08:45:51 22 Q. Okay. Thank you. If we could. I did want to ask
23 you a couple of questions about this candy laced drug
24 business and about how that came about. And I think you
25 testified that it was in January of 2016 or so that that was

1 being talked about or discussed. Can you tell me a little
2 bit more about that, how that came about?

3 A. Yeah. So, when Shamo originally approached me, he
4 stated that he wanted to get a second store started on Alpha
5 Bay but that he wanted somebody else to be the primary
08:46:30 6 runner, manager of it. So essentially my job duties would
7 have been to manage the sales and do customer service and to
8 process the orders. And then he would be the one supplying
9 the product.

10 Q. Okay. And was that something that was mutual
11 between the both of you, that you were both kind of excited
12 about that?

13 A. At the time, when he approached me and, you know,
14 we talked about the amount of money and stuff that could be
15 made from it, it was something that I wanted to move forward
08:47:00 16 with.

17 Q. Okay. And you were quite excited about that,
18 right, in the discussions and the -- with Mr. Shamo?

19 A. I don't know if I would use the word "excited," but
20 I was willing to move forward.

21 Q. Right. Right. And that's how it started as far as
22 getting on the tour browser and getting involved with the
23 Dark Net --

24 A. Correct.

25 Q. -- with this business, correct?

1 A. That's right.

2 Q. And then it didn't -- it didn't turn into anything,
3 correct?

4 A. Nothing at all.

08:47:31 5 Q. Okay. If we could go to Exhibit 17.08, pull that
6 up.

7 And do you recognize this document?

8 A. I do?

9 Q. Okay. And what is?

10 A. Most of it is the canned responses that I had for
11 customer service requests.

12 Q. Okay. And who created this list?

13 A. Who did? I did.

14 Q. You did. Okay. And that was part of your
08:47:58 15 responsibilities of customer service for the organization;
16 is that correct?

17 A. Correct. My responsibility was to respond to
18 customer requests, and I felt the most efficient way to do
19 that was to create canned responses since we were getting a
20 lot of the same questions.

21 Q. Okay. And that kind of made your job easier,
22 correct? You would get a complaint, and you would have a
23 list of responses, and you could just plug those in?

24 A. Correct.

25 Q. Is that correct? Okay. And there -- I believe

08:48:29 1 there's about five pages here, four or five pages of
2 responses. Does that sound right?

3 A. Yeah. There was a good number of them.

4 Q. There was quite a bit. Okay.

5 And if we could go to page 2 and go to the response
6 of: How much Fent?

7 If we could do that one down to: Thanks, PM.

8 Yeah. So if you'll read this one.

08:48:57 9 A. We understand, being sure to know what you are
10 purchasing -- yeah. We understand being sure to know what
11 you're purchasing. Unfortunately we do not discuss our
12 formula or processes for many reasons. We would say that
13 the effects of one of our Fent Roxies is equal to the
14 effects of a 30 milligram Roxy. Hope this helps. Thanks.
15 PM.

16 Q. Okay. Now, again, so this helps you responds to
17 complaints or questions that you received from customers,
18 correct?

19 A. Correct.

20 Q. Okay. And how did this canned response -- how was
21 that created?

08:49:28 22 A. I mean, I was getting questions about how much Fent
23 was in each pill and what the effects were and things like
24 that, so I reached out to Shamo because I had no idea the
25 process of the making the pills or anything like that, so I

1 asked him, and this was essentially his response, was that
2 we don't talk about the formula or the process. And I took
3 what he said and put a customer service spin on it and
4 created this canned response.

5 Q. Okay. So you asked Mr. Shamo: How do we respond
6 to this, what's the formula? Because people were asking
7 you, right?

8 A. Correct.

08:49:59 9 Q. What's the formula. And Mr. Shamo's response was,
10 "we don't want to give specifics," basically; is that
11 correct?

12 A. Yeah. He didn't want someone to take his formula
13 and start using it as their own.

14 Q. Okay. And so even though you never got a formula
15 from Mr. Shamo --

16 A. No.

17 Q. -- is that right? Okay. And is it possible that
18 Mr. Shamo, himself didn't have the formula?

19 A. I don't think so.

20 Q. Okay. You believe he did have the formula?

08:50:29 21 A. Yeah. I mean, I saw the pill presses in his house.
22 He was telling me that he was pressing the pills from those.
23 You know, the context of that, I would assume that he was
24 the one doing it.

25 Q. As far as you know, you never saw a formula?

1 A. I didn't.

2 Q. And you don't know if Mr. Shamo was actually
3 putting that formula together or who may have put that
4 formula together; is that correct?

5 A. That's correct.

6 Q. You have no idea. Your involvement with the
7 formula was basically getting questions from the customers?

08:50:58 8 A. And giving them this response.

9 Q. And then going to Mr. Shamo and Mr. Shamo telling
10 you: Just tell them it's equal to the effect of a 30
11 milligram Roxy?

12 A. Correct.

13 Q. Correct? If we could go to Exhibit 14.15 and just
14 the first page of that.

08:51:24 15 What is this page here? Do you recognize this from
16 yesterday?

17 A. I believe this would have been the first time that
18 Shamo and I had communicated on telegram.

19 Q. Okay. And, in general, right? This was telegram.
20 These were your telegram messages correct?

21 A. Correct.

22 Q. I think it was your testimony yesterday that when
23 you were arrested at eBay or taken in for questioning at
24 eBay on November 22, that you were alerted by your
08:51:57 25 co-workers that homeland security was at the front desk

1 looking for you; is that right?

2 A. That is correct.

3 Q. And on your way down or in the process of coming to
4 meet them, you deleted this; is that right?

5 A. That is correct.

6 Q. Okay. So I'm curious here, just wondering, how did
7 the government get this information when you deleted it?

8 A. From what I understand, this is Shamo's side.

9 Q. Okay. So this is Shamo's. Yours was not
10 recovered, correct?

11 A. Correct.

08:52:27 12 Q. Okay. So this was -- yours was deleted, correct?

13 A. That's right.

14 Q. If we would go to page 43 of this document. And
15 there's -- this is all communication between you and
16 Mr. Shamo, right, texting back and forth? And if we could
17 go to the bottom of: I just put in 12 hours today --

18 So, this response here from Mr. Shamo, I put in a
08:52:59 19 12-hour today pressing and filling orders and getting stuff
20 locally. Was that common for Mr. Shamo to be saying: I'm
21 working hard here. I'm really busy and I'm trying to get
22 product out. Or --

23 A. At the beginning, yeah.

24 Q. Okay.

25 A. Once he kind of diversified, like it seemed like he

1 had more people involved, it seemed like he had a lot more
2 free time.

08:53:27 3 Q. Okay. So maybe at the first, when you first got
4 involved, it was pretty common for him to be --

5 A. Doing a lot.

6 Q. -- putting in long days and working hard. Okay.
7 And as far as others involved, you said at first that he
8 didn't -- he mentioned the name Drew, but he didn't -- he
9 didn't tell you Drew Crandall, correct?

10 A. I didn't know anybody else that was involved, but
11 we had had conversations about him expanding his business.

12 Q. Okay. And maybe bringing others on?

13 A. Correct. But I just never knew their -- who they
14 were.

08:53:59 15 Q. Right. And at the conversations of bringing others
16 on, too, you were involved in actively participating with
17 having drops made to other individuals, friends of yours,
18 correct?

19 A. Correct.

20 Q. And not individuals that knew Mr. Shamo?

21 A. Correct.

22 Q. Right. They were yours. In fact you -- you were
23 kind of a middleman between Mr. Bruner and Kayla. What was
24 Kayla's last name?

08:54:27 25 A. Kayla was Bruner. It was Jordan Bernell.

1 Q. Jordan Bernell, yeah. And you -- they were your
2 friends, correct?

3 A. That is correct.

4 Q. And you kind of insulated them from Mr. Shamo; is
5 that fair to say?

6 A. He asked for drops. He asked me to be a drop, and
7 I told him I didn't want stuff going to my mom's house, but
8 I could talk to people and see if I could recruit people to
9 work under me, kind of like an MLM, if you will.

08:54:57 10 Q. Okay. Not necessarily insulating them, but you
11 were kind of a middleman?

12 A. Right.

13 Q. Okay. But you did want to protect them, correct?

14 A. Of course.

15 Q. And you didn't want them too involved. In fact,
16 you have conversations on this text, on the telegram with
17 Mr. Shamo about nothing illegal is being dropped at my
18 friend's house, correct?

19 A. Yeah.

20 Q. It was just filler, right?

21 A. That's what he was telling me, yeah.

22 Q. You were kind of wanting to make -- you wanted to
08:55:25 23 make that clear, that you didn't want illegal material going
24 to your friends' houses?

25 A. Right.

1 Q. Okay. As far as telegram to, that's something that
2 you used before, right? It wasn't -- Mr. Shamo didn't
3 introduce you to telegram; is that right?

4 A. Right.

5 Q. Who introduced you to Telegram?

6 A. Sasha Grant.

7 Q. Okay. Sasha. And you knew Sasha from how long?

8 A. Six years ago.

9 Q. Okay so --

08:55:58 10 A. We were together a long time ago.

11 Q. So you knew Sasha before you knew Drew Crandall or
12 before you knew Aaron Shamo; is that right?

13 A. That is correct.

14 Q. Okay. And it was several years before that she
15 introduced you to Telegram; is that right?

16 A. That's right.

17 Q. Okay. In fact, I think in your Grand Jury
18 testimony you said that you used that with Drew Crandall as
19 well, right?

20 A. I had communicated with him, yeah.

21 Q. And as far as your use of marijuana, that's
22 something you communicated through -- with Drew Crandall?

23 A. That's correct. That's how I originally had
08:56:29 24 downloaded Telegram was to communicate with him to pick up
25 marijuana, yeah.

1 Q. Right. Okay. And then, as far as Luke Paz, did
2 that name ever -- you socialized with Luke Paz, correct?

3 A. When I was around Shamo, Luke was around a lot,
4 yeah.

5 Q. Okay. And so did Mr. Shamo ever mention the name
6 of Luke Paz as being part of this organization?

7 A. He did not.

8 Q. Okay. It was kind of like Drew Crandall, right?

08:56:59 9 He never -- that name never came up as far as being involved
10 in this operation?

11 A. Yeah. It sounds like my name was the only one that
12 he told people.

13 Q. And you felt like he was using -- throwing your
14 name around?

15 A. Correct.

16 Q. I mean, that was true with the shippers as well; is
17 that correct?

18 A. That's what it sounds like.

08:57:28 19 Q. Okay. So, on the day that he got arrested, you got
20 a message from either Drew Crandall or Sasha Grant; is that
21 right?

22 A. You said the day that he got arrested?

23 Q. I'm sorry. The day he got arrested, the day that
24 you got questioned?

25 A. Correct. And, yes, I did get a message.

1 Q. Okay. And who was that from?

2 A. Sasha Grant.

3 Q. Sasha Grant. And in what format -- she didn't send
4 you a telegram, I guess?

5 A. No. It was over Snapchat.

6 Q. Okay. So it was over a common social media site.
7 Okay. And did you respond to that?

8 A. I did not.

08:57:59 9 Q. Okay. And why didn't you respond?

10 A. I was with lawyers at the time, and they told me
11 not to.

12 Q. Okay. So did you suspect, at that time, that Sasha
13 knew something?

14 A. Yeah.

15 Q. But before that, you had no idea; is that correct?

16 A. No idea of what?

17 Q. That Sasha would have any connection with this?

18 A. Well, like she had told me previously, back in --
08:58:28 19 toward the end of 2015, kind of before I got involved with
20 Shamo, that there was stuff going on with Drew and Shamo.

21 Q. Okay. So there was -- there may have been some
22 indication that Drew Crandall was still involved?

23 A. Not still involved, no.

24 Q. Okay. So -- so, Sasha contacting you, did that
25 give you an indication that maybe Drew was involved, then,

1 again?

2 A. No.

08:59:03 3 Q. Okay. So it wasn't uncommon for you to get a
4 message from Sasha, then?

5 A. It seemed like a pretty tight friend group, so for
6 her to be messaging me the day that Shamo got picked up was
7 not a surprise to me because I'm sure there were people that
8 she knew that had heard that Shamo had gotten picked up and
9 had spread the word.

08:59:36 10 Q. Okay. So, as far as you know, in your involvement
11 in this, Mr. Shamo was the base of this organization; is
12 that correct?

13 A. That's correct.

14 Q. And if there were others that were instructing
15 Mr. Shamo, you would not know?

16 A. I would not.

08:59:51 17 Q. All right. So, as far as Bernell and Bruner, you
09:00:29 18 as a middleman, you gained financially from that; is that
19 correct?

20 A. I did.

21 Q. And how much did you make?

22 A. It was 150 per package.

23 Q. And approximately how many drops did you do?

24 A. I can recall three to four.

25 Q. I think in your Grand Jury testimony you said that

1 you did about nine with one and three with another. Does
2 that sound right?

09:00:58 3 A. That's not what I remember.

4 Q. Okay. So maybe you misunderstood when you were in
5 front of the Grand Jury?

6 A. It's possible. I also remember -- I don't
7 remember, rather, how the packages were paid for, if that
8 makes sense, because I remember there were multiple boxes
9 that came in one shipment, and I'm not sure how much Shamo
10 actually paid me for that.

11 Q. There may have been a discount if three or four
12 packages came at once or something?

13 A. Possible.

09:01:29 14 Q. You just don't remember; is that right?

15 A. That's right.

16 Q. Okay. So there may have been a total of --

17 A. Of nine packages.

18 Q. -- 9 to 12 packages themselves, but only four or
19 five actual transfers?

20 A. Right. Transfers is a good word. Yeah.

21 Q. Okay. Okay. Can you tell us who else you
22 communicated with, with Telegram to? Mr. Shamo,

09:01:59 23 Mr. Crandall, you've mentioned?

24 A. The other person that I remember is Kelly McGraff.

25 Q. Kelly McGraff?

1 A. Correct.

2 Q. Okay. And is that the only other person?

3 A. That's the only person I can recall.

4 Q. Okay. And what was the purpose of communicating
5 with Kelly McGraff through Telegram?

6 A. I was organizing picking up MDMA.

7 Q. Okay. So transfer of drugs?

09:02:26 8 A. Correct.

9 Q. Okay. And as far as drug use goes, you were using
10 drugs during this while you were performing the duties of
11 Mr. Shamo and during this period of time; is that correct?

12 A. Yeah.

13 Q. If fact you had asked Mr. Shamo for some drugs or
14 some --

15 A. That's how it all started, yeah.

16 Q. And so that's something you participated in. You
17 did get questioned on November 22, correct?

09:02:59 18 A. Uh-huh. Yes.

19 Q. Okay. And -- and then you were later indicted in
20 May of 2016; is that right?

21 A. It would have been May of 2017.

22 Q. Or 2017. Correct.

23 A. But yes.

24 Q. Right. And at that point, you went before a Judge,
25 and you asked to be released, right, and there was a chance

1 that you might be detained at that point?

2 A. Correct.

09:03:27

3 Q. Okay. But you weren't -- you didn't spend a night
4 in jail on November 22. You didn't go to jail when you came
5 back on the Indictment in May of 2017; is that right?

6 A. That's right.

7 Q. Okay. And so you haven't spent a night in jail on
8 this case; is that correct?

9 A. That's correct.

10 Q. Okay. And as far as drug use goes, when you came
11 on your Indictment, you were released. You were on what was
12 called pretrial release; is that right?

13 A. That is correct.

09:03:59

14 Q. Okay. And under that pretrial release, you had
15 certain conditions to meet; is that right, and maintain,
16 correct?

17 A. That is correct.

18 Q. Okay. And have you been able to maintain those
19 conditions?

20 A. Not all of them.

21 Q. Okay. What conditions have you not met?

22 A. I was requested to not use drugs.

23 Q. Okay. And you have failed on those conditions,
24 then?

25 A. That's correct.

1 Q. Okay. How many times?

09:04:28

2 A. A handful.

3 Q. Okay. Like more than ten?

4 A. Yeah.

5 Q. Okay. More than 15, or --

6 A. I did have possession of a THC pen, so I did use
7 that, but, yes. More than 15 times, yes.

8 Q. So you have been working with the probation office
9 on that; is that right?

10 A. That is correct.

09:04:59

11 Q. Okay. And you haven't been back in court to
12 question your detention because of that?

13 A. I have not.

14 Q. All right. You have been able to work that out
15 with your probation officer?

16 A. Correct.

17 Q. Okay. And as you sit here today, are you impaired?

18 A. I am not.

19 Q. Okay. So you're of sound mind, and yesterday as
20 well; is that correct?

21 A. That is correct.

22 Q. Okay.

23 I have no further questions.

09:05:29

24 THE COURT: Thank you, Mr. Sam.

25 Mr. Gadd, you may redirect.

1 MR. GADD: Nothing further. Thank you, Your Honor.

2 THE COURT: Thank you. You can step down,
3 Mr. Nobel, and you can be excused.

4 The government may call its next witness.

5 MR. GADD: Your Honor, the United States calls
6 Special Agent Guy Gino.

7 THE COURT: Come forward and be sworn, please.

8 GUY GINO,
9 the witness hereinbefore named, being first duly cautioned
10 and sworn or affirmed to tell the truth, the whole truth,
11 and nothing but the truth, was examined and testified as
12 follows:

09:05:54 13 THE CLERK: Please state your name and spell it for
14 the record.

15 THE WITNESS: Guy Gino. G-u-y. G-i-n-o.

16 THE COURT: You may proceed, Mr. Gadd.

17 DIRECT EXAMINATION

18 BY MR. GADD:

09:06:30 19 Q. Special Agent Gino, are you prepared to testify
20 about Dark Net markets, digital currency and PGP encryption?

21 A. I am.

22 Q. Before we do that, I want to take just a moment and
23 give the jury a summary of your background and your
24 experience that brings you here with us. Can you tell us
25 about your background in federal law enforcement?

09:06:59 1 A. Sure. I began my career with the U.S. Border
2 Patrol in 1996. In 2003, I took a job with U.S. Customs
3 Service as a special agent. While I was at the academy, the
4 Department of Homeland Security was put into full effect,
5 and they merged U.S. Customs with Immigration and Customs
6 Enforcement, which my job title changed from a U.S. Customs
7 special agent to that of an Immigration and Customs
8 Enforcement special agent.

09:07:27 9 My agency has again rebranded several years after
10 that, and I'm currently employed by Homeland Security
11 Investigations based out of Portland, Oregon, which I remain
12 based out of since 2003.

13 Q. Were you assigned to any state or local task forces
14 in Portland?

09:07:56 15 A. I am. I have been assigned since 2008 as a sole
16 full-time federal partner at the Oregon/Idaho HIDTA
17 interdiction task force, which is high intensity drug
18 trafficking area. We work narcotics interdiction. That's
19 our primary -- and narcotics-based money laundering.

20 Q. Do part of your duties include investigating drug
21 overdose fatalities?

22 A. Yes. Part of my duties assigned to that task
23 force, our team is responsible investigating overdoses to
24 include fatal and non-fatal, within the city limits of
25 Portland, Oregon.

1 Q. Okay.

2 And occasionally on my screen I'm seeing someone
09:08:28 3 swimming on the ocean. Are you seeing that on yours.

4 THE CLERK: I haven't turned it on yet.

5 MR. GADD: Okay. Great. That's fine, it can keep
6 flashing at me. I'll ignore the distraction.

7 Q. BY MR. GADD: In addition to investigating drug
8 overdose fatalities, do you also investigate major, Dark Net
9 vendors?

10 A. Since 2013, the time of 2013, our unit has come
11 across more and more overlap between our traditional cases
09:08:59 12 we investigated involving -- now they are more and more
13 involving Dark Net marketplaces and involving crypto
14 currencies.

15 Q. I want to ask you just about two of your larger
16 investigations. First, did you investigate a Dark Net
17 vendor who went by the name of Peter the Great?

18 A. I did.

19 Q. Can you tell us a little bit about that case?

20 A. Peter the Great was a vendor operating on the Dark
09:09:28 21 Net site Alpha Bay. Peter the Great was who we identified
22 responsible for the death of an 18-year-old girl in
23 Portland, Oregon, stemming from an overdose from the
24 narcotic U47700. We were able to successfully de-anonymize
25 Peter the Great's identity, arrest him, his co-conspirators

1 in South Carolina in less than 60 days, and he actually hung
2 himself in custody.

09:09:58 3 Q. And then one other, a vendor who went by the name
4 Narco Boss. You worked that case as well?

5 A. I did.

6 Q. Can you tell us a little bit about that case?

7 A. A similar situation, except this involved two
8 separate overdoses in the city limits of Portland, Oregon,
9 two separate individuals, victims that were 27 years old.
10 Our investigation had successfully de-anonymized the vendor
09:10:24 11 responsible as Narco Boss and was able to arrest him in
12 Philadelphia, Pennsylvania, and that case is still awaiting
13 trial.

14 Q. Now you mentioned twice de-anonymization. Can you
15 just explain briefly what that is?

16 A. Sure. In these types of cases involving the Dark
17 Net, there are many steps where it's geared for anonymity
18 for the vendor and anonymity for the buyer, and as I explain
19 Dark Net markets, how they work, you will be able to
09:10:59 20 understand a little bit better, but they take -- in order --
21 when you operate on the Dark Net, you're operating in
22 anonymous fashion and you take special steps use special
23 software to remain anonymous, and our specialty is finding
24 out their true identity and letting the evidence take us
25 right to them.

1 Q. Let's talk just for a minute about training. Is it
2 safe to say you provide a fair amount of training for law
3 enforcement?

4 A. Yes.

09:11:29 5 Q. You provide that training throughout the United
6 States?

7 A. Yes.

8 Q. Do you also, at the request of the United States,
9 train law enforcement in foreign countries?

10 A. That's correct.

11 Q. You have recently returned from a training trip,
12 correct?

13 A. Yes.

14 Q. Where were you last time?

15 A. Earlier this week I was providing training to
16 investigators and prosecutors at the Crimes Against Children
17 Conference in Dallas, working child pornography, child
09:12:00 18 exploitation, people that worked that, showing them how they
19 could utilize crypto currency, trace it to de-anonymize
20 their offenders.

21 Q. Let's turn our attention to Dark Net markets. Have
22 you prepared some slides today to aid your testimony?

23 A. I have.

24 Q. If we could look at those. This is Exhibit 17.07.
09:12:27 25 There will be Special Agent Gino's computer. We will have

1 him run the slides from there and then we'll do the exhibits
2 back here.

3 A. So, I don't have it on my screen.

4 THE CLERK: I don't have it on mine either.

09:12:52 5 THE WITNESS: Okay. My screen here is still orange
6 on the terminal.

7 MR. GADD: Elizabeth, could you toggle once the
8 event and then back. That worked when we did it this
9 morning.

10 THE CLERK: Still nothing.

09:13:17 11 (Discussion off the record about computers.)

12 THE COURT: I hope we don't have to take a gizmo
13 break.

09:18:25 14 Shall we let the jury go for ten minutes and see if
09:23:12 15 we can figure it out? Let's take a break.

16 (Whereupon the jury leaves the courtroom.)

17 THE CLERK: All rise.

09:23:44 18 THE COURT: You can be seated.

19 Mr. Skordas, you had something you wanted to raise?

20 MR. SKORDAS: Yeah. I'll be very brief, Your
09:38:29 21 Honor. And I have spoken with the government briefly about
22 this. Luke Paz is an individual that we intend to call as a
23 witness. I'm advised that the government also intends to
24 call him, and if that's the case, we'll deal with him under
25 cross. He lives out of state. He lives in New York, and

1 the government has arrangements, I assume, for him to fly
2 out here I think next Thursday and testify on Friday.

3 THE COURT: A week from today?

09:38:58

4 MR. SKORDAS: Yes. But they have also told me that
5 they may not call him. So, I was hoping, rather than us
6 having to subpoena and fly and pay for his arrangements,
7 that since he's already scheduled to appear, even if we call
8 him out of order, that we still plan on him being here on
9 Friday, and if the government is not going to call him that
10 we be allowed to call him since he's already going to be
11 here. Does that make sense?

12 THE COURT: It does, but let's hear what the
09:39:30 13 government has to say.

14 MR. BURGGRAAF: Your Honor, I'm the one who spoke
15 with Mr. Skordas about this, and I concur that if we decide
16 that we're not going to use him in our case-in-chief --

17 THE COURT: We'll still have him here.

18 MR. BURGGRAAF: We'll have him here, and we'll
19 allow defense to call him.

20 THE COURT: You won't object to his being called
21 out of order by the defense?

22 MR. BURGGRAAF: No, Your Honor.

23 THE COURT: All right.

24 MR. SKORDAS: Thanks judge.

25 THE COURT: Thank you all. Are we ready to go?

1 MR. GADD: Just one other thing. In the event that
09:39:57 2 something else goes wrong, I'm hoping that plan C could be
3 that Special Agent Gino could run the presentation from the
4 podium, and perhaps he and I will just trade places. So,
5 this is our backup.

6 THE COURT: That should work, as long as people can
7 hear everybody.

8 MR. GADD: I have every confidence that it's going
9 to work, though, but --

10 THE COURT: Well, almost every confidence.
11 Otherwise you wouldn't have a plan C.

09:40:28 12 MR. GADD: It was working fine this morning, and
13 hopefully it will work fine now.

14 THE COURT: All right. We'll get the jury and
09:40:36 15 proceed. I hope we don't have to go to plan D.

16 THE CLERK: All rise.

17 (Whereupon the jury enters the courtroom.)

18 THE COURT: You may proceed, Mr. Gadd.

19 MR. GADD: Thank you, sir.

20 And my thanks to the jury.

09:42:29 21 Q. BY MR. GADD: With some technical trepidation let's
22 again -- can you tell us about Dark Net markets?

23 A. Sure. I'm going to start the presentation now.

24 Q. Please?

25 A. Okay. So, in order to understand how Dark Net

1 markets work, we have to understand how the Dark Net works,
2 and we'll start off with a quick overview. The internet and
3 the worldwide web are not actually the same thing. The
4 internet is a massive network of interconnecting networks
09:42:59 5 connecting millions of computers globally. It forms a
6 network which any computer can communicate with any other
7 computer as long as they are both connected to the internet.

8 THE COURT: You have to go slow enough so she can
9 take it all down.

10 THE WITNESS: Okay.

11 The worldwide web or simply the web is a way of
12 accessing information over the medium of the internet. Now,
09:43:24 13 the web utilizes browsers, such as Internet Explorer, Google
14 Chrome or Safari to access web documents which are called
15 web pages. Web pages are linked to each other via
16 hyperlinks. Web documents also contain graphics, sounds,
17 texts and video.

18 Let's start off with the surface web. The surface
19 web or the normal web, sometimes referred to as the clear
09:43:58 20 web is the portion of the worldwide web content that is
21 indexed by standard or surface web search engines like
22 Google, Bing and Yahoo. It only accounts for 4 percent of
23 the internet. So, if you were to type a search in Google
24 and it would bring back a web page, that would reside on the
25 surface web.

1 The deep web, or also referred to as the invisible
09:44:26 2 web, is that portion of the worldwide web content that's not
3 indexed by standard surface web search engines. It
4 represents the other 96 percent of the internet. It's what
5 everyone in this room and this courtroom uses every day. If
6 you access a social media page or your site that is password
7 protected, that resides on the Deep Web. Your online
8 banking account information, after you plug in your
09:44:57 9 password, that would be on the Deep Web as well. Your
10 work's intranet, their non-public pages would be on the Deep
11 Web.

12 Now, the Dark Web is worldwide web content that
13 exists on an overlay or overlay networks which use the
14 public internet but require specific software configurations
15 or authorization to access. It forms a very small portion
09:45:28 16 of the Deep Web. The Dark Net is an overlay network in the
17 Deep Web. It can only be accessed with a specific browser
18 software, configurations or authorizations.

19 There are different Dark Network types. There are
20 friend to friend networks, also commonly known as P-to-P or
09:45:57 21 peer-to-peer, and privacy networks. Dark Net markets use
22 the privacy network TOR, T-O-R. TOR stands for The Onion
23 Router. It is a free and open source software that prevents
24 anyone from learning the location or browsing habits of
25 those who use it. It works by bouncing communications

09:46:25 1 around a distributed network of relays run by volunteers.
2 TOR is a browser, just like Google Chrome, Internet
3 Explorer, but this browser can only access web pages that
4 end in dot onion; not dot com, not dot net or dot org.

09:46:45 5 I have a movie here that can explain TOR, a short
09:47:13 6 one. Now we have no sound.

7 A. I can just play the video separate outside of the
8 PowerPoint. I believe I have it by itself if that works, at
09:47:48 9 least the sound of it. Okay.

10 (Discussion concerning video equipment)

09:49:26 11 THE COURT: Don't let him get too far away.

12 THE WITNESS: It seems to stop working after he
13 leaves.

14 MR. GADD: Okay, Plan D. Here we go.

15 (Video played.)

09:51:42 16 (Video stopped.)

17 THE WITNESS: And the address on the screen here is
09:51:56 18 where someone would go to download the browser to their
19 computer. Now, Dark Net markets, they are a commercial
20 website on the -- they are a commercial website on the TOR
21 network. They essentially are an online black market
22 operating on TOR, and they are selling or brokering
23 transactions involving drugs and other illicit goods.

24 I have a video that gives a little explanation of
25 how they work as well.

1 (Video played.)

09:52:27 2 (Video stopped.)

3 MR. GADD: Let's stop it there at the end of this
4 where it indicates: Well, there ain't much they can do
5 about it.

6 Is that something you agree with?

09:56:29 7 A. No.

8 Q. Why not?

9 A. Well, we're here today, first off, but with other
10 cases, there is absolutely a whole lot of things law
11 enforcement can do about it, and I spend a great deal of my
12 time traveling the world training other law enforcement
13 agencies and showing them what they can do. It's a --
14 especially when this video was made, it's a little bit
09:56:57 15 dated, but it's a myth.

16 Q. Let's look at some of these Dark Net markets. Can
17 you walk us through a few.

18 A. So the first commercialized Dark Net market,
19 modern, as they refer to it, was introduced in 2011, and it
20 was Silk Road. Silk Road started in 2011 and was seized by
09:57:28 21 law enforcement in October, 2013. Being the first, the Silk
22 Road Market template -- they actually duplicated it from
23 Amazon's web store layout. On this slide, this is what the
24 Amazon web page looked like in 2009. The categories were
25 listed on the left. The featured product description was in

1 the center, and, as you can see the user account information
2 is on top.

09:57:57 3 This was Silk Road. Same thing. Categories listed
4 on the left. Featured product description in the center and
5 the user account information on top. While Silk Road was
6 running, other organizations set up their own Dark Net
7 sites. One site was named Sheep Marketplace, which is this.
8 And as you can see, you have categories on the left, product
09:58:25 9 description in the center, user account information on top.

10 Also Black Market Reloaded, same thing. And I'll cycle
11 through a couple of the historical Dark Net market sites.

12 Q. Go ahead?

13 A. This was Agora Marketplace, Evolution, Silk Road
14 2.0. It was a clone of the original Silk Road with
09:59:00 15 exception to the price of the products were displayed in the
16 local country's currency, as opposed to Bitcoin. Nucleus
17 Market. Dream Market. Valhalla. And, as you can see on
09:59:27 18 this slide, in the upper left corner is the TOR address, and
19 again, dot onion. *Hansa, Alpha Bay. The other thing that
20 Silk Road had on their page -- on their site -- excuse me,
09:59:55 21 that the majority of all other Dark Net market sites copied,
22 was the payment system.

23 Silk Road used cryptocurrency, specifically
24 Bitcoin, for their payments. The site provided escrow
25 services to ensure that both its users and vendors would not

1 get scammed. For their part, as operating as an escrow, as
2 operating as a platform for people to be able to sell their
3 products and buyers being able to purchase it, Silk Road
10:00:29 4 took a percentage of every transaction. Most all subsequent
5 Dark Net markets have duplicated this payment system.

6 On this chart I'll walk you through it. Starting
7 in the upper left corner of this chart, if someone wants to
8 make a purchase from Silk Road, they need to do two things.
9 The first thing is to set up an account with the Dark Net
10:00:54 10 site. It is harder to set up an account with eBay or Amazon
11 than it is on the Dark Net site in regards to steps you have
12 to take. You sign up for an account. You get assigned a
13 password, or you give them your password, and you write it
14 down. You need to, if you want to do a purchase, load your
15 account with cryptocurrency.

10:01:26 16 So, a buyer would need to exchange their real money
17 and obtain cryptocurrency. And what they would need to do
18 is to conduct a transaction with what's known as a digital
19 currency exchange. Digital currency exchanger, there's
20 three types: Online commercial, cryptocurrency ATM or
21 kiosk, or a peer-to-peer exchanger. And that is someone who
10:01:59 22 will either meet with someone face-to-face and sell their
23 cryptocurrency in exchange for cash, or utilize an online
24 platform like Craig's List or some sites, one in particular,
25 localbitcoins.com -- that's one word -- where they would

1 advertise their terms for the sale and people that would
10:02:29 2 want to purchase coin or sell coin would also have accounts
3 and utilize that site as a middleman.

4 Now, once they obtain their coin from an exchanger,
5 it goes into their own personal wallet, and they need to
6 send that Bitcoin to the wallet that's assigned to their
7 Dark Net market account. While they are on the Dark Net
8 market site and they find a product that they want to
10:02:57 9 purchase, they would do just that, and it operates like
10 Amazon. You would click a button and say, "buy."

11 The site would do its part and notify the vendor
12 that they have a potential sale. The vendor would either
13 agree to the sale or decline the sale, and declination is
14 for several reasons. One may be that they don't -- they
15 don't want to do business with that specific buyer, they are
10:03:28 16 brand new, but more often it just has to do with what
17 product they have on hand. Once the vendor hits accept the
18 sale, agrees to accept the sale, the site will remove the
19 Bitcoin for the value of the sale from the buyer's account
20 and hold on to it in the site's account.

21 The vendor will hit the button on the computer
10:03:57 22 saying that it's being processed. Then, when the vendor
23 places it in the mail, the -- they hit another button and
24 the site is notified that it's being shipped, and the site
25 notifies the buyer that the vendor has changed the status of

1 the sale to: It's being shipped.

2 When the buyer receives the product, the buyer is
3 required to finalize the transaction and, in doing so, they
4 will hit a button that says it's received or finalized.

10:04:27 5 When they finalize it, they are required to leave feedback.

6 Most sites have a drop down menu. It's mandatory that
7 either they have to leave a comment that they will customize
8 or type up, or they will have several options that they can
9 click. Some sites may not require comment, but they all
10 require the sale to be finalized.

11 Once that happens, the site releases the
12 cryptocurrency back to the vendor. Now that the vendor has
10:04:59 13 cryptocurrency, they need to convert it to fiat currency
14 because bit coin, in particular, was volatile, up and down,
15 and still is and most cryptocurrencies are. If they just
16 hold on to Bitcoin, the only reason they would do that is
17 because they do not have a mechanism to be able to be able
18 to liquidate it fast enough. But the vendor has the same
19 problem that a buyer has when they are trying to obtain
20 crypto currency. They have to go through a digital currency
21 exchanger.

10:05:29 22 It will either -- and it's extremely frowned upon
23 to have an account with an online commercial digital
24 currency exchanger because they take measures to identify
25 where their funds come from, where the crypto comes from.

1 They do checks. They look for a communication. They need
2 to have their customer's account information if the account
3 is set up on it.

10:05:58

4 The second mechanism that they can use is, like I
5 stated before, a cryptocurrency ATM. And those have a
6 limited amount of funds that can come out, and depending on
7 the ATM operator, they also are required to have a -- they
8 need to know who their customer is. So, for certain levels,
9 the customer would have to have at least some identifying
10 information, either a scan of their driver's license,
11 definitely a cell phone number.

10:06:27

12 And then there is the third option, which is the
13 most common, for those that operate as a Dark Net vendor,
14 they will become the peer-to-peer exchanger because they are
15 not going to ask questions on who wants to buy coin. And
16 people that want to buy the cryptocurrency aren't going to
17 ask them questions, and they can even meet face-to-face or
18 use that other site as a middleman, so trust is there. And
19 then that's how they obtain their fiat currency.

10:06:59

20 Now the Alpha Bay system, just like here the Silk
21 Road's payment system, Alpha Bay operated the exact same
22 way. Now, separate from the payment system, the other thing
23 that Silk Road gave to all Dark Net marketplaces was they
24 implemented a vendor feedback system which was entirely
25 mimicked by -- they mimic eBay. The feedback system is

10:07:30 1 important to a Dark Net market site because of the anonymity
2 that these markets have. The feedback system is used to
3 reinforce trust between the users and the vendors.

4 This is what AlphaBay feedback looked like. On
5 number 1, it would display the vendor's percentage of
6 positive feedback for the last 12 months. Number 2 shows
10:07:57 7 the displayed number of positive, neutral or negative
8 feedback ratings during the last 3, 6 and 12 months. They
9 also gave a star rating for what is called stealth, the
10 quality of the product, and the value and the price.

11 Stealth is how the product that they purchased is packaged.
12 So, if they packaged a quantity, a small quantity of
10:08:25 13 narcotics, the stealth would be the CD cover or the DVD box
14 that the narcotics were secreted in inside of the envelope.

15 And then, number 4, the feedback, which as I stated
16 earlier, is mandatory, and it occurs when the individual
17 finalizes their product. And it gives them the option of
18 comment section. But it is important because it lists the
10:08:56 19 date, the time of the sale, when it was finalized, the
20 product description, as well as the first and last initial
21 of the buyer and the quantity.

22 The sites themselves have a structure. Up on top
23 is the site administer. That person is the administrator or
24 admin. The person or persons who run the Dark Net market
10:09:28 25 site, they are responsible for creating the site itself, the

1 web page, running the server or servers for the Dark Net
2 market site. They collect all revenue gained from a site,
3 which will include vendor bonds, percentages earned from all
4 transactions between customers and vendors, and all of that
5 revenue is in the form of the cryptocurrency. It's directly
6 from the proceeds of these sales.

7 The admin is required to hire staff. The Dark Net
10:10:00 8 market staff are paid employees of the site. They consist
9 of moderators and customer support. A moderator's role is
10 that they will determine the outcome of disputes between
11 customers and vendors, and there's a lot. If a buyer has
12 purchased an item and the vendor stated that it was shipped
10:10:22 13 and the product never arrived, the buyer on -- it varies
14 between sites -- but on Alpha Bay had 14 days to finalize
15 the transaction or enter a dispute. If the buyer didn't
16 receive what they wanted or there was an issue, they would
17 file a dispute on the site and the moderator would get
18 assigned to it. And they would start a three-way
19 communication in the form of a message between the buyer and
20 the vendor.

21 The buyer would list what the issue is. The
10:10:58 22 moderator would give the vendor a small time frame to
23 respond. If the vendor doesn't respond, the moderator would
24 award the coins back to the buyer's account. If the vendor
25 does respond and the moderator finds that the vendor's

1 answer to whatever if the dispute is, is satisfactory, the
2 moderator has the ability to release the coins back to the
3 vendor.

4 In the event that someone does not finalize -- and
10:11:30 5 this happens -- it happens a lot. Either they choose not
6 to, they forget to, or in some of the occasions of my
7 investigations, the person had died before they actually
8 finalized the transaction -- the site will automatically
9 finalize. It will call "auto finalize" after a certain
10 number of days. Alpha Bay was 14 days that, if there was
10:11:55 11 no -- no one hit the button, the site would award the coins
12 to the vendor.

13 Now, vendors are those people or individuals who
14 sell their items on the site. In order to do this, the
15 vendors have to pay a bond for the ability to post listings.
16 It's when they establish their account. They have to agree
17 to the terms of service of the site. There are some rules.
18 Vendors are responsible to upload pictures of their products
19 to the site, create and list the terms for the sales, list
10:12:26 20 prices for the products as well as keep daily updates to
21 their customers on their profile page.

22 Now the last one, keep daily updates to their
23 customers on their profile page, isn't something that's
24 mandatory to the site, but if you want to be successful on
25 these Dark Net marketplaces, you rely heavily, if not

1 solely, on your reputation as a reputable vendor. And
10:12:52 2 that's on the feedback. A large scale vendor needs to keep
3 daily updates, otherwise they will lose their customer base.

4 The other thing with vendors is, on most sites
5 vendors are required to post a public PGP key on their
6 profile page so their customers have the ability to
7 communicate with them securely. Why this is important is,
8 if, for instance, I wanted to purchase narcotics from a
9 vendor that I have no idea who they are, and I'm concerned
10:13:27 10 that the site could get taken over by law enforcement at a
11 future date, I would want to encrypt my address and my
12 information for where that parcel of the narcotics would be
13 shipped to.

14 So the vendor page will post the vendor's public
15 PGP encryption key, which would allow the purchaser to
16 import into their key ring and encrypt a message having that
17 data, the data information, the address or whatever
10:13:56 18 questions they have, and encrypt it with the vendor's PGP
19 encryption keys that only the vendor could decrypt with
20 their private key.

21 Vendors, as I stated earlier are competing for
22 customers from other vendors. They are constantly striving
23 to keep a positive rating on the site, and high volume
24 vendors will spend hours per day attempting to stay ahead of
25 the day-to-day orders. Any real delay, someone will go onto

10:14:29 1 the site and give negative feedback or someone will post
2 something on the site's forum, which is a separate portion
3 of these Dark Net market sites, and complain about the
4 quality of service of a vendor. It's kind of like Yelp.

5 If you're going to go to a restaurant and look at
6 the app Yelp or go on to Google a restaurant and you see the
7 comments of people that went there, you wouldn't be so apt
8 to go to one that says: It was dirty. The quality of the
10:15:00 9 food wasn't great. They were rude.

10 That's how that works, and I see it all the time.
11 On my investigations, when I operated as a vendor on one
12 investigation, it was very important to me to make sure that
13 my customers were aware of, if I was going to take a break,
14 if I was going on vacation, all the orders have gone out.
15 It's extremely important. And we will constantly see that
10:15:30 16 vendors themselves will answer someone's negative feedback,
17 tell them that they are taking care of the problem and to
18 please remove the negative feedback because that affects
19 their rating.

20 Now, with that, with large scale vendors, some
21 sites' answer to it was to allow what's called surrogate
22 access or shared access. Alpha Bay was one of them. They
23 would allow vendors to grant additional persons access to
10:15:58 24 their store to handle such duties as customer service,
25 answering questions, taking the addresses that the orders

1 are coming in, decrypting messages, being a worker. But
2 they would not have access to the vendor's cryptocurrency
3 wallet. That person that was in control of that would be
4 the person that was running the actual site.

5 Now, the other role on these Dark Net market sites
10:16:29 6 is a buyer, and a buyer can sign up for an account in less
7 than a minute. The Dark Net market gives access to browse
8 listings with an account without ever having to fund any
9 type of cryptocurrency into that account. In order to make
10 a purchase, the account holder must send digital currency to
11 the site-provided address. A buyer account can never list
12 or sell items, just the same way a vendor account on these
13 sites can never purchase any items. Most vendors would have
10:17:00 14 their own vendor account and perhaps a separate buyer
15 account in the event that they were purchasing items from
16 the Dark Net.

17 There are variations between Dark Net market sites.
18 Although they share many components, Dark Net markets also
19 have their own unique features. They have different options
20 on finalizing sales. Some sites allow for what's called
21 finalizing early, and that would be when the buyer clicks
10:17:29 22 "purchase," the vendor clicks "it's being shipped," the
23 buyer immediately clicks "finalized," thus releasing the
24 coin to the vendor before ever receiving the product. In
25 the real world scenario, this would be the equivalent of

1 fronting money for future narcotics.

2 Some sites can do full escrow, which means they
3 will take the full amount. Some sites do partial escrow,
10:17:58 4 where they will take only 50 percent of it and hold it and
5 then front the other 50 percent to the vendor. Some sites
6 have no escrow. Sites also provide encrypted or
7 non-encrypted internal messaging platforms. Some have them
8 already part of it. Others don't. Other variations could
9 be concerning the Bitcoin withdrawal. Some sites require
10 use of a pin specifically for Bitcoin withdrawal. These
10:18:29 11 sites that do that, some of them are a specific number of
12 digits. Others give a range that you could select that
13 would be between 8 and 20.

14 Some sites require what's known as two-factor
15 authentication upon withdrawal which, if you're doing
16 withdrawal, you may have to take another security feature to
17 ensure that you are the owner of the account. They may ask
18 you for a secret phrase that you had created when you
10:18:57 19 created your vendor account or buyer account. They could
20 have what's known as single or multiple signature
21 requirement for withdrawing it, the Bitcoin, and some sites
22 also offered mixing services that, when you would withdraw
23 your Bitcoin, they would go through what's known as
24 tumblers.

25 There are also variations with account log-ins; use

10:19:24 1 of pass phrases, a specific number of pin digits, two-factor
2 authentication options. An example of this would be, Alpha
3 Bay itself required a mandatory two-factor authentication
4 for vendors. They required that vendors would use their
5 public PGP encryption that they were required to post on
6 their vendor page as a second form of authentication at the
7 log-in phase. At the log-in page vendors would receive a
10:19:58 8 message from the Dark Net market which it encrypted using
9 the vendor's public PGP key. The message was a security
10 code.

11 So the vendor would take that public -- that
12 message that was encrypted with their public key. They
13 could be the only one that could decrypt that message, and
14 it would have a 9-digit or 10-digit letter, random number,
15 character code that they would plug in. This is what it
10:20:28 16 would look like. The top portion where it says "begin PGP
17 message," is actually the encrypted message from the site.
18 The vendor would decrypt that message and then on the bottom
19 field, where it says "security code," cut and paste that
20 into that box and hit "proceed." And that would serve as
21 their two-factor authentication. That's the end of the Dark
22 Net market phase.

23 Q. I would like to ask you this questions about Dark
24 Net markets.

25 A. Sure.

10:20:59 1 Q. Do you have to be smart to set up a vendor account?

2 A. No.

3 Q. Do you need, like, a mentor to show you how to set

4 up a vendor account?

5 A. No. Most people just Google it, and the site

6 itself -- the site is designed to make money, so the site

7 has a very thorough help page, forums. They are -- for us

8 to be able to get on to it, we had no problem whatsoever,

10:21:26 9 and I have no background in computers at all.

10 Q. If we could toggle now to Ms. Laughter's computer,

11 I want to pull up some exhibits from this case and ask you

12 some questions and elicit your opinion on a few of them. If

13 we could look first at 15.26, that's our video. We will do

14 a still shot of 34:42. Can you see that there on your

15 screen?

16 A. Yes, sir.

10:21:53 17 Q. Everyone else can see? Okay. Take just a moment

18 to look at this and then I want to ask you a question about

19 the message that's being sent kind of right in the middle

20 there.

21 Can you -- thank you.

22 A. Okay.

23 Q. Can you see that message?

24 A. I can.

25 Q. It indicates it was sent by Pharma-Master and then

1 the message body says: This account owner got busted today.
2 Please delete the account and disable it. Thanks. P.M.

3 A. Okay.

10:22:27

4 Q. If that was in fact true, that the account owner
5 was busted or arrested, how could Pharma-Master send that
6 message to the moderator that you see below?

7 A. Pharma-Master had granted surrogate access to
8 someone else to be able to send messages. The other thing
9 is the moderator -- it went directly to a moderator and the
10 moderator, then they banned the account. That's why

10:22:59

11 Pharma-Master says "banned" at that time. This message
12 screen shot was taken after this message actually went
13 through and the moderator banned the accountant at the
14 request of -- and the message says that the account owner
15 got busted, so it just implies to me that it was an employee
16 of Pharma-Master.

17 Q. Let's look for just a minute at the same exhibit.
18 If we could skip down to the screen shot at 21.42. Do you
19 recognize this as a user profile?

10:23:23

20 A. Yes, sir.

21 Q. I want to ask you some questions about the user
22 profile, we will start kind of up at the top where you can
23 see the orange square.

24 That area, yes.

25 All right. So you see the name Pharma-Master?

1 A. Okay.

2 Q. Then there's a number in parentheses next to it,
3 8332. What does that mean?

10:24:00

4 A. That represents the number of finalized
5 transactions. Now that would include finalized where
6 feedback was left, as well as, auto-finalized transactions.

7 Q. So, if I were to tell you that in the investigation
8 they found roughly 55 hundred rows of feedback, is the
9 difference between that number, the rows of feedback, and
10 the number you see here, is that -- well, let me ask you.
11 What would account for that difference?

10:24:27

12 A. The auto-finalized portion by the site. This
13 number represents the numbers of times the site released the
14 Bitcoin from their escrow to the vendor. The number of
15 feedback is just that, the number of feedback that were left
16 during finalization.

10:24:58

17 Q. So if an analyst were to tabulate, add up the
18 amount of drugs that were sold based on the rows of
19 feedback, that there were 27 hundred more transactions, is
20 it your opinion that the actual amount of drugs sold was
21 higher?

22 A. Absolutely.

23 Q. And the money made was higher?

24 A. Absolutely.

25 Q. You can see next to that it says "trust level 9."

1 What's that?

2 A. A vendor trust level is a combination of volume of
3 sales as well as the positive feedback rating and the star
4 rating that they have for stealth quality and value for
10:25:27 5 price. It's from the site. The person on the vendor end
6 doesn't input that at all. The site calculates that. Trust
7 level 9, as I recall, means that they did over a million
8 dollars in sales.

9 Q. If you look -- if you look below there three lines,
10 it indicates member since. What does that mean to you?

11 A. That's the date that the vendor bond was posted and
12 the site accepted the vendor from being -- gave them the
10:25:57 13 privilege to be able to -- in their view, the privilege is
14 on the site. So that would be the vendor, member as a
15 vendor, so that would be November 11, 2015.

16 Q. Could we look for a minute at that same exhibit,
17 15.26, but I want to jump to a series of three screen shots
18 that show the public PGP, show starting at 25:26. So here's
10:26:28 19 the top, that same profile, and then if you can go to 27,
20 25:27. That's scrolling down.

21 Do you recognize what we're looking at here?

22 A. Yeah. That's the vendor. Like I said on Alpha Bay
23 they are required to post their public PGP key, and that's
24 exactly what it is. It's the vendor's public PGP key, and I
25 know that because if you from the portion of the dashes and

10:27:00 1 it says, "begin PGP public key block," that is on there so a
2 person can cut and paste that whole portion, place it on a
3 text document, save it and import it into their PGP key ring
4 so that they can encrypt messages so that Pharma-Master can
5 decrypt and read.

6 Q. And then, if we were to scroll down or, in this
7 case since it's a video, look at the next screen shot, which
10:27:29 8 I believe is 2530, that will show us the bottom half,
9 correct?

10 A. Yes.

11 Q. And the dash at the bottom where it says following
12 the dashes, "PGP public key block," and then dashes, that's
13 it, right?

14 A. That's it. In order to copy that, you would copy
15 from the first dash where it said, "begin PGP public key
16 block" at the top, copy the whole entire thing, ending at
17 the last dash after it says MPGP public key block, copy
18 that, paste that into a text document, save it and import it
10:27:58 19 into your own PGP software. And that would allow you to
20 encrypt messages you to whoever is posting -- whoever has
21 the key pair.

22 Q. Let's turn our attention now to digital currency.

23 A. Sure.

10:28:27 24 Q. In preparation today, did you also prepare slides
25 to aid your testimony about digital currency?

1 A. I did.

2 Q. If you could pull those up.

3 THE COURT: We need to take our regular break, I
4 think.

5 MR. GADD: This would be a good place.

6 THE COURT: This is probably a good time.

7 MR. GADD: Yes, sir.

8 THE COURT: It's nearly 10:30. We'll reconvene at
9 quarter to 11 and then go 'til about 12:15 and take the half
10 hour deal 'til a quarter to 1 and then go to 2:15. So
11 that's how the rest of the day generally will go. All
10:29:02 12 right?

13 MR. GADD: Yes, sir, thank you.

14 THE COURT: So we'll be back here at quarter to 11.
15 Thank you.

10:29:35 16 THE CLERK: All rise, please.

17 (Whereupon the jury leaves the courtroom.)

18 THE COURT: See you in about 15 minutes. Thank
19 you.

20 (Short break.)

21 THE CLERK: All rise, please.

22 (Whereupon the jury enters the courtroom.)

10:29:38 23 THE COURT: You may proceed, Mr. Gadd.

10:48:00 24 MR. GADD: Thank you, sir.

25 Q. BY MR. GADD: Special Agent Gino, let's jump into

1 your digital currency overview.

2 A. Sure. Okay. So digital currency is a digital
3 representation of value that can be digitally traded and
4 functions as a medium of exchange, a unit of account or
5 store value. It's important to note that digital currencies
6 are not issued nor guaranteed by any jurisdiction. Digital
10:48:29 7 currencies do not have legal tender status. Now this next
8 slide here shows you the different types of digital
9 currencies. They are broken down into two categories,
10 centralized and decentralized.

11 Centralized has a single administrator or a neutral
12 third party. The centralized digital currencies is that
13 administrator or neutral third party issues the currency.
10:48:55 14 It establishes the rules and the rates. It controls the
15 central ledger, sort of like Pay Pal. Pay Pal would be a
16 centralized digital currency. It's electronic. It's Based
17 off a value. They base it off of real currency depending on
18 the country they are operating on.

19 But what I tell my investigators that I instruct,
20 if they would honor a subpoena for information, that would
21 be a one-stop shop. We would serve them with a subpoena,
10:49:27 22 and they could provide all transactional data to law
23 enforcement if they chose to. That's centralized.

24 Cryptocurrency is decentralized. There is no
25 centralized administering authority to subpoena. There is

1 no oversight. It's all open sourced. It's math based. The
2 way it works is it uses a global network of participants who
3 run the software for that cryptocurrency on their computers
10:49:58 4 and there job is to validate transactions, and, once
5 validated, they are then instantly documented on a publicly
6 accessible ledger which is referred to as a block chain.

7 Now, cryptocurrency represents an open source
8 digital asset which utilizes a peer-to-peer system,
9 peer-to-peer meaning person-to-person. The users can
10 interact directly without an intermediary. If you use a
11 regular ATM, you are not communicating directly with your
10:50:27 12 bank, even if it's your bank's terminal, you are still
13 utilizing either an association for Visa/Mastercard. There
14 are different steps. In fact, most financial institutions
15 will charge a fee, and the reason they charge a fee is to
16 pay those third parties, those intermediaries.

17 Bitcoin is not the first cryptocurrency, it is the
18 first decentralized digital currency acknowledged by the
19 U.S. Treasury. The IRS will tax it. Bitcoin is the primary
10:50:59 20 payment method on Dark Net markets. Now, why would a
21 business want to use cryptocurrency? What is their gain?
22 Well, we see it everyday. We see it when we go to purchase
23 an item, a pack of gum, if you will, from a mom and pop
24 shop, and you forgot your cash. You go to use a debit card,
25 and there's a sign that says for purchases under \$5.00 you

10:51:28 1 will be charged a 50 cent or 75 cent convenience fee, the
2 reason being that what happens is they are not upset that
3 you're using the card, it's just that for that store giving
4 you the convenience to be able to utilize that card, they
5 have to pay a percentage of the transaction to the
6 Visa/Mastercard association.

7 So, on this slide, you can see that if a consumer
8 goes to purchase something from a merchant and they are
10:51:58 9 using their Debit card or credit card, there are many steps
10 involved in allowing that transaction to proceed. You'll
11 put the card in the terminal; perhaps it's a debit card and
12 you'll have to plug in your pin. That information will be
13 sent to the acquiring banks, who will then send it
14 immediately to a database that's being controlled -- run by
15 the Visa/Mastercard association, which will then forward
16 that information to the issuing bank of the card which will
10:52:28 17 then verify the customer's information, security features,
18 if the pin number is correct, if there's enough money in the
19 account, and then send that information right back, and
20 ultimately back to the merchant, who then says the sale has
21 been approved.

22 We see this every time we use one of our credit
23 cards or debit cards at the supermarket. For that
24 convenience they charge a fee. Larger corporations, larger
25 businesses are able negotiate that fee. Smaller businesses

10:52:57 1 can pay, and I know that in some instances 3 percent,
2 perhaps it's even higher depending on the volume. If anyone
3 has ever shopped at the store Costco, for many years they
4 wouldn't accept credit cards, they would only accept debit,
5 and it's because of this. They didn't want to pay those
6 fees.

7 So that's why there is no third party. The
8 transactions also are instantaneous. Transaction fees are a
10:53:27 9 fraction of the traditional Visa/Mastercard association
10 fees. Participants will verify and settle transactions
11 amongst themselves rather than utilizing a third party. A
12 consumer can deal directly with the merchant with no
13 middleman or an individual to an individual.

14 LikeCoin, which is a version of cryptocurrency,
15 there was a transaction that occurred a year and a half ago
16 that was valued at 99 million dollars. It took 2 and a half
10:53:59 17 minutes to confirm, and it was charged a little bit over 40
18 cents in fees to make that transaction happen. So, because
19 it's instantaneous, the fees, that is why there is -- I
20 won't say want -- but that is why cryptocurrency is becoming
21 more and more popular with vendors. Dish Network is one of
22 the ones you are able to pay your bill with Bitcoin if you
10:54:29 23 choose to. You just have to click the other payment options
24 and then they will give you that option.

25 So, for Bitcoin, I actually have a video that

1 explains a little bit how Bitcoin works.

10:54:42 2 (Video played.)

3 (Video stopped.)

4 Okay. So that's a good little video that explains
10:57:57 5 just the overview of consumer-based applications of
6 cryptocurrency. So, how do you actually use it? Well, to
7 break it down, first off, if you want to use Bitcoin or
8 other cryptocurrency a person is going to need to obtain a
9 wallet. It's important to note that a wallet is just a
10 piece of software. It's a software program. So those
11 wallets are going to be found in anywhere you will be able
12 to have software, whether they are on devices, on the web,
13 phones.

10:58:29 14 So we'll go over the different types of wallets.
15 Desktop and mobile wallets, they are wallets in which
16 software is installed on a desktop computer or mobile
17 device. They are easy to get and use. Desktop and mobile
18 wallets provide a good level of security, as they do not
19 store a user's private key online, rather they put them on
20 an user's desktop and mobile device, and they are secured
21 through a very high level of encryption.

10:58:59 22 A web wallet is usually an exchange or another web
23 service which stores a user's private keys on their server,
24 meaning that the access of those funds usually requires a
25 user name and a password to that online service. Web

1 wallets are less secure, as a user's funds can be stolen if
2 the web service's server is compromised. A Dark Net
3 marketplace's account wallet for a buyer is a web wallet.
4 The same thing with a vendor. They are a web wallet. The
5 site is the one that controls the private keys. They
10:59:30 6 control it all.

7 Digital currency exchangers, U.S. based online web
8 Coin Base, if someone has a coin base app on their phone,
9 the actual wallet is controlled by Coin Base, so it's a web
10 wallet essentially. Now, there's a hardware wallet, a
11 hardware wallet stores an user's private keys on hardware
12 similar to a USB stick which can be plugged into any
10:59:57 13 computer. The hardware wallet provides the highest level of
14 security, as it is less prone to viruses and threats. The
15 hardware wallet, like the mobile device wallet or the
16 desktop wallet, when you create those wallets, you're
17 actually creating a backup phrase as well, which is known as
18 a seed or a private key. The hardware wallets provide a
19 backup phrase to back up the user's private keys.

20 And that's important because think of it as your
11:00:30 21 cell phone, iPhone in particular. If you lose your iPhone,
22 you have the option of purchasing a brand new iPhone,
23 accessing your iTunes account and then you can download your
24 contacts onto your new device and all your applications that
25 you had purchased before, and it would also carry over your

1 messages and all your information. So the device itself is
2 useless. If you have a hardware wallet, a desktop wallet
11:00:57 3 or any wallet where you were -- you ran the program to
4 create it, you would be required to write down either the
5 private key or the seed words in case you needed to restore
6 it on another device.

7 Now, a cryptocurrency wallet is a software program.
8 I mentioned before. This software program creates -- keeps
11:01:29 9 a secret piece of data called a private key or seed. That
10 private key or seed is used to sign these transactions, so
11 when you write a check, you sign the check. Your financial
12 institution recognizes your signature, and that's --
13 that's -- that's their proof that the check is being
14 authorized by the true account holder. That's what happens
15 in the real world scenario. On this instance, because
16 everything is digital and they have their own network, and
17 they have individuals that are verifying transactions, the
11:01:58 18 private key or seed produces -- is proof that it's being --
19 the transaction is signed by the actual owner of the
20 account. The signature provides the network proof that the
21 transaction is from the true owner of the wallet.

22 When someone sends cryptocurrency to another
23 person, they are actually sending cryptocurrency to an
24 address which is -- really another word for an address is a
11:02:27 25 public key -- that the recipient's wallet's private key

1 created. The sender's wallet, which is a private key, signs
2 the transaction, just like signing a check. And like I
3 stated, it proves the true ownership of the cryptocurrency,
4 and it allows it to be transferred from one address to the
5 other. After receiving a transaction, the recipient's
6 wallet's private key is now able to then spend the newly
7 received coins, and when I say "spend," it just has the
11:02:59 8 ability -- they own the coins and they have the ability now
9 to send it to another wallet.

10 So, with that, we treat possession of the private
11 key or seed, someone that is in control of the wallet.
12 Possession of those grants access to a wallet's contents.
13 If you are in possession of a private key or seed, you are
14 going to safeguard it because that wallet seed or private
11:03:27 15 key can be utilized by someone else if they have it and make
16 a functioning clone of the wallet. That private key or seed
17 is generated when a new wallet is created and, like I said
18 before, their instructions are very explicit not to save it
19 on a computer. You should actually write it down and keep
20 it in a safe space so that if your computer gets
21 compromised, someone doesn't find your private key or seed
11:03:56 22 and can clone your wallet and then steal your Bitcoin.

23 So this is the cycle. This is how it works. This
24 is from the beginning to end. First off, the person is
25 going to need to have cash to get currency and in order to

1 convert that cash to cryptocurrency, a person is required to
2 utilize a digital currency exchanger. There are three types
3 of exchangers, and I mentioned it earlier, commercial online
4 digital currency exchanger, digital currency ATM or kiosk
11:04:30 5 and then lastly the peer-to-peer exchanger.

6 We'll start with online digital currency
7 exchangers. They are commercial sites that provide for the
8 purchase, sale of cryptocurrency and they are also
9 cryptocurrency trading platforms. All United States based
10 exchangers that exchange cryptocurrency with U.S. currency
11 are required to be licensed and registered as a money
12 service business; not only the states that they operate but
11:05:00 13 also with the U.S. Treasury.

14 And online digital currency exchangers will offer
15 one or all of the following services: Purchase of
16 cryptocurrency with fiat currency, such as having a credit
17 card or bank account linked to their account and just
18 purchasing the item, the cryptocurrency. They also will
19 offer -- some of them may offer the sale of cryptocurrency
20 in exchange for fiat currency, which would be a reverse of
11:05:29 21 that. You have cryptocurrency, you sell it to the exchanger
22 and then they will then wire the money or do an electronic
23 deposit into your linked bank accounts or your linked debit
24 card that it's associated to or your credit card. And then
25 of course the trading of cryptocurrency. You have you one

1 form of cryptocurrency. You want to convert that
2 cryptocurrency to another form of cryptocurrency.

11:05:59

3 Now, Bitcoin ATM kiosks, they also allow the
4 purchase and sale of Bitcoin and other cryptocurrencies.
5 They will provide one or all of the following services:
6 This will vary depending on the type of machine and the type
7 of services the ATM operator is offering. In some
8 instances, you can just purchase cryptocurrency with cash.
9 Other instances would allow you to not only purchase

11:06:29

10 cryptocurrency with cash but then also sell cryptocurrency
11 for cash, and you would actually send -- it would broadcast
12 a Bitcoin address on the screen, you would scan it with your
13 phone your wallet app, and send coin to the machine. And
14 then cash would come out like a regular ATM machine.

11:07:00

15 Just like the U.S. based online digital currency
16 exchanger, a U.S. based ATM kiosk operator are required to
17 be registered with state and federal government as money
18 service businesses. These requirements to be registered
19 says that the operator will be compliant with certain
20 regulations and they are required to know stuff about their
21 customers, who they are, perhaps an address, definitely a
22 photo. And that's just part of the rules to be registered
23 and operate as a licensed and registered money service

11:07:28

24 business. Proof of the customer's identity is going to be
25 required by the ATM kiosk, but it will vary depending on

1 that specific ATM's level of compliance with state and
2 federal law.

3 Then we come to the peer-to-peer exchanger, and
4 that's an individual who will purchase or sell
5 cryptocurrency with another individual in exchange for fiat
6 currency. And it varies. It varies on what the
11:07:59 7 individual's terms are, the person selling, and if the
8 person that's purchasing agrees to those terms. We have
9 seen instances where they have been charging upwards of 15
10 percent or more of market value to sell Bitcoin at and, as
11 well, buying for up to 15 percent or more below market
12 value.

13 They are not guided by the site to have to obtain
14 any information regarding who the person is that they are
15 doing a transaction with. The people that are selling
11:08:29 16 cryptocurrency don't have to show proof that they've
17 registered, and the majority of these individuals operating
18 in this fashion are in violation of either state and/or
19 federal law. The peer-to-peer exchangers will advertise
20 their services online using chat rooms, online publications
21 like Craig's List or online connection platforms like
22 localbitcoins.com. One is called Packs Full. Several
23 different just online platforms.

11:08:58 24 Peer-to-peer exchangers are required to -- like I
25 stated, required to register as a money service business,

1 but because of this, because they have not -- they don't,
2 and none of the sites are requiring them to do it. Dark Net
3 vendors, as I found in my experience, are using this method
4 as one of the mechanisms to liquidate their proceeds into
5 fiat currency.

6 One of those sites, this is the screen shot of what
11:09:29 7 the front page looks like. It just puts people that want to
8 buy coin in touch with people that want to sell Bitcoin, and
9 they can trade it for cash. They can trade it for debit
10 cards, the debit cards that you see at the supermarket that
11 you can give usually them as gift cards. They are known as
12 pre-paid access device cards. They will swap out Amazon
13 gift cards, Starbucks cards. In exchange, they can have
11:09:58 14 terms that state you will make a deposit in my bank account
15 and then the coin will be sent.

16 And the way they do this is the site itself also
17 operates as an escrow, exactly like I showed you earlier
18 with the Silk Road payment system and the Alpha Bay payment
19 system. Someone who is selling coins will put a listing up
20 on the site. If they are going list for a certain amount of
21 Bitcoin, they are required to have that amount in their
22 wallet. If someone agrees to the terms of the sale, which
11:10:29 23 means they agree to make payment in whatever form that
24 listing states, they will state: I want to do this sale.

25 The site notifies the vendor of the coin and says

1 you have a potential customer, usually in the form of an
2 email. It says: So and so has accepted your terms of sale.
3 Would you like to proceed? When you, as a vendor of
4 cryptocurrency on a site like this, click yes, the site will
5 remove the coins from your web wallet from the site into an
11:10:59 6 escrow account. Then the person that wants to purchase the
7 cryptocurrency will do whatever the requirement is, whether
8 it's deposit it in a bank account, whether it is take a
9 picture of the back portion of a gift card with the numbers
10 on it, whatever is required. And once that's accomplished,
11 then the site -- and everyone is in agreement, the site will
12 release the coins to the buyer.

13 If, for some reason, a dispute is entered, the site
11:11:29 14 has staff that will do exactly like what occurs on Dark Net
15 marketplaces and try to come up with a solution and will
16 grant the coins either back to the vendor or to the person
17 that did the purchase, and if there is an issue that looks
18 like someone was trying to steal or rip someone off, the
19 site will ban them. Ratings are big on these types of sites
11:11:56 20 as well. So that's how a peer-to-peer exchanger works on an
21 online platform.

22 Back to the steps. Now that the person has their
23 cryptocurrency, they can do a transaction. Now, a
24 transaction is simply a transfer of value between the
25 digital currency wallets, which as I explained is a piece of

1 software that's downloaded. In this picture, purchasing
2 from a merchant using a cell phone and an iPad.

3 So the transaction verification. And this will get
11:12:29 4 a little bit complex, but I just want you to have an
5 understanding. Sometimes people don't really understand
6 about the -- what it takes to -- for account verification,
7 but it's important. It's especially important for
8 investigators to understand because of proof that the
9 transaction occurred.

10 So, if a transaction is broadcast to the network,
11 it's confirmed and validated by individuals who run software
12 on their computers. These individuals are miners. If I was
11:12:59 13 to send a transaction to Mr. Gadd, the first thing that
14 would happen -- and if everyone in this room represented
15 miners, all that meant was everyone in this room is running
16 software that the purpose of the software is to try to solve
17 a math problem, an algorithm. That math problem or
18 algorithm actually represents, if you solve it, they come to
19 that it's solved, that's how they verify that it's a true --
11:13:28 20 it's a signature from a wallet, and it's -- it's truly
21 coming from a person that owns those coins.

22 When I engage in a transaction, everyone that has
23 the miner software running would get -- would be notified.
24 And let's say we're all on a group text message string. My
25 wallet has one. You get a group text message that says:

1 Gino has one Bitcoin. He wants to send it to Mr. Gadd who
2 has zero Bitcoin in his wallet, and you're constantly
11:14:00 3 getting updates. And then, when I hit send, the algorithm
4 gets put out.

5 And let's stay the math problem on this first
6 transaction would be one plus one. And if I asked everyone
7 in the room, who knows the answer to one plus one, please
8 raise your hand, everyone's hand would go up. The first one
9 who hand goes up, I would ask: What's the answer?

10 They would say: Two.

11 And I would say: Okay. Who agrees with them?

12 Raise your hand.

11:14:29 13 And all these hands go up. Those are
14 confirmations. What happens is the moment that you race to
15 start solving the algorithm, the computer program will
16 continue until it's solved. So what we see on these
17 transactions is, not only is it solved by one independent
18 person but everyone involved.

19 That -- once it's solved, the transaction is
20 verified, it's posted on a public ledger called the
11:14:58 21 blockchain. That is essentially how it works. The miner,
22 the person that got it done first, wins what's called miner
23 fees. It's a fraction of what the transaction is valued at.
24 The next transaction occurs. Say Mr. Gadd wants to send a
25 Bitcoin to another individual. You all get a text message.

11:15:26 1 You all get notified that their transaction is going to
2 happen, and the value of everyone's wallet shows the
3 balances and everything gets updated.

4 And then, when he sends the transaction, there's an
5 algorithm, but this time it would be one plus one plus two,
6 same scenario, whoever raises their hand first or which
7 miner solves the problems first, and then the confirmations
8 happen, everyone else has. And that's a confirmed
9 transaction. It goes forward and everyone gets an update
10 with the current balances as does the public ledger or
11 blockchain.

11:15:58 12 This happens in this order for a specific reason.
13 On the earlier video they talked about that double spending
14 problem. This miner, the verification, is not only so that
15 everyone can see everyone's transaction, and everyone can --
16 is a witness to it that are a miner on it and that, if for
17 some reason a third transaction came out and it was one plus
18 1 plus 2 plus 3 and the first miner raised their hand or
11:16:29 19 solved it, but they solved it and said that answer was 27,
20 no one would confirm that transaction.

21 Your programs would be running and say: No. We
22 have a completely different answer for that.

23 And then it would be rejected, so it would have to
24 be re-sent, and until it's authenticated, verified. As you
25 notice, each time I talk about an algorithm, I am including

11:16:58 1 if the previous algorithm as part of it. That creates the
2 order, so you can't have a transaction jump in the middle of
3 it. It also prevents someone from doing a counterfeit
4 transaction on the network. So there's been a couple
5 hundred million transactions since Bitcoin has been put
6 into -- it's been used. Close to ten years now. I think
7 for ten years.

11:17:27 8 That means the algorithm, or if I was to send a
9 real Bitcoin transaction from one wallet to another, it
10 would have a couple hundred million algorithms daisy chained
11 together the computers have to solve. That's the
12 verification. It gets posted on the blockchain. The
13 blockchain is a site that anyone can go to look at and see
14 if a verification is confirmed. I will have a video that
15 shows that.

11:17:55 16 But mining -- that's why mining -- that's what it
17 is. It sounds complex, but when we put it down in that
18 area, all I want you all to understand is that the
19 verification involves -- it's all public. It's used to
20 confirm and validate these waiting transactions. It's
21 integral to Bitcoin. It's integral to all cryptocurrencies
22 that have their own blockchains because it ensures fairness
23 while keeping that cryptocurrency's network stable, safe and
24 secure.

25 Now, I told you about the miners that were winning

1 the miner fees. So what happens is all confirmed
11:18:28 2 transactions are packed in a block which fits very strict
3 cryptographic rules, and it's verified by the network. But
4 eventually that size of that data hits a certain level, and
5 it's time to form a new block. Picture it like a chainlink,
6 one of the chains. Before they create a new block, let's
7 say that block had 100 transactions that were confirmed and
11:18:59 8 verified. That means you have 100 miners that got the
9 answer correct and won miner fees.

10 They are all entered into a lottery, and one of the
11 random miners actually gets awarded brand new minted Bitcoin
12 into their account, and it shows on the blockchain as newly
13 minted Bitcoin. It's how new Bitcoins enter the economy.
14 It's just the way the system works. Once that happens, a
11:19:27 15 new chainlink or a new block is formed and the process
16 repeats itself.

17 When Bitcoin was first started up to 2013, I think
18 maybe a little bit into 2014, the lottery would distribute
19 50 newly minted Bitcoin into the miner that won the
20 lottery's wallet. When Bitcoin first began, it wasn't a lot
21 of money because Bitcoin didn't have value, but towards
11:19:59 22 October, November, December of 2013, bitcoin surpassed the
23 value of \$1,000 per coin, so those miners that won the
24 lottery were making the equivalent of \$50,000 or more for
25 just solving that block.

1 As Bitcoin became -- more transactions became
2 happening and it became more and more popular, someone with
3 a computer would not be able to catch up with -- would not
11:20:25 4 be able to solve those problems in a timely fashion.
5 Because of the amount of money that was being rewarded to
6 miners, big corporations got involved and started designing
7 faster computer chips, faster mechanisms to be able to solve
8 the mathematical problem quicker. That's pretty much what
9 has happened.

10 Bitcoin right now, if you're a miner on it, you
11 won't be able to do it on your own computer, but you could
12 join a pool which is -- let's say we split the courtroom
11:21:00 13 into two pools right down the middle. The one on the left
14 means you all run a special type of software that you're
15 computer power, your computing power, is all combined, daisy
16 chained together and you're all working to solve those math
17 problems.

18 We go to the other side of the room, they have the
19 same thing. They would be a separate pool, but there's more
20 computers on this side of the room, so this side would have
21 a better chance, more capability of winning the lottery more
11:21:27 22 times than this side just because you're able to solve the
23 mathematical problems quicker and you're able to get that
24 lottery ticket, if you will. So that's how mining works,
25 and that's the verification thing, and it's a very important

1 part of the Bitcoin -- the Bitcoin network.

2 They keep the network secure by approving
3 transactions. They receive miners' fees so they are awarded
4 for their work, and they have a chance to win newly minted
5 Bitcoins if they win the lottery on the block, but the most
11:21:58 6 important thing to take away from this is the fact that once
7 a transaction is confirmed and validated, it gets included
8 in the public ledger, which I had mentioned is a blockchain.
9 To give you an overview of what it looks like is this chart.

10 Person A, they originate a transaction via the
11 wallet. It's broadcast to the network, and then random
12 nodes on the network verify those random nodes are miners as
13 I ran in the courtroom earlier as my example. They
11:22:26 14 broadcast the transaction to the network. They bundle the
15 transaction. It's approved, a block is generated. It's
16 broadcasted to the blockchain after it's verified and then
17 ultimately win the block. That's how new Bitcoin enter.

18 Bitcoin when it started usually would be
19 approximately ten minutes to confirm, and when I say
20 confirm, once a Bitcoin transaction is sent, you can't take
21 it back. And you can send Bitcoin to someone's address, and
11:23:00 22 they don't need to say: I don't want to receive this.

23 They can't refuse it. But the confirmation is not
24 the first place person that got the answer right but the
25 second, third, fourth, fifth, sixth is coming up with the

1 same answer to the algorithm or mathematical problem. Those
2 are the confirmations, and depending on the activity of the
3 network, it can take a certain time.

4 Here's a video that will be able to show a little
11:23:26 5 bit about how Blockchain itself works and the technology
6 behind it. More so how there's checks and balances on it.

7 Play?

8 MR. GADD: Please.

11:25:46 9 (Video played.)

10 THE WITNESS: Stop.

11 (Video ended.)

12 So of course this video is actually a few years old
13 as well. When they referenced something that occurred last
14 year, it wasn't actually last year, it was a few years ago.

11:25:58 15 But it does show, and what the one thing I do like about it
16 is it shows the picture of the guy breaking into a bank. If
17 someone breaks into a bank system, a computer system hacker,
18 they can steal everyone's accounts and take money from it.
19 But the way Blockchain works, if someone tries to do a
20 counterfeit transaction, tries to trick everyone by saying
21 this is a transaction, it won't match up with the thousands
22 of other ledgers that are constantly being updated, and it
23 doesn't even get confirmed.

11:26:30 24 This is a concrete proof that a transaction takes
25 place. It shows up on the Blockchain. If it's not on the

1 Blockchain, the transaction never took place. The entire
2 cryptocurrencies network will rely on its specific
3 Blockchain, so each cryptocurrency has its own Blockchain,
4 its own public ledger. We trace Bitcoin transactions as law
11:26:58 5 enforcement by using the Blockchain. We review the
6 transactions that occur on a Blockchain. If I view an
7 undercover purchase, yes, I have my evidence of what I did.
8 I have my testimony, but if I did any type of purchase, my
9 evidence would be the Blockchain itself.

10 If I knew the address that I sent the coin to, I
11 can go on the Blockchain and look at that address as a
12 transaction, as well as where the coins would go after I
11:27:29 13 sent it to them, and we do the same thing in reverse. So,
14 if I know that one account is receiving cryptocurrency
15 from -- from another individual, and that account is being
16 used to purchase certain items, I can go back and take a
17 look at -- I can ask them: Who sent you the coin to
18 purchase these items?

19 And if they identify an individual, then I go on
11:27:58 20 the Blockchain, see the account that had sent coin into that
21 account, and based upon what they are stating, until I'm
22 able to confirm it. I would associate that account with who
23 they are stating it belongs to.

24 The Blockchain is very important. We utilize it to
25 trace. It is the ledger. Just like any type of financial

1 investigation, the ledgers are extremely important. Now
11:28:28 2 that the person received the coin, it's the same thing as
3 before but in reverse. The person that receives the coin
4 has to go through a digital currency exchanger. It goes
5 through the digital currency exchanger, they now have fiat
6 currency. The fiat currency can either be deposited into a
7 bank or stored in large quantities.

8 So, when we get into a problem -- we will go back
9 two steps. Sorry. We're just going to go back a few steps,
11:28:59 10 and I'm going to re-highlight. If a person is receiving
11 digital currency from illicit sources, their options are
12 limited on how to exchange that illicit proceeds in the form
13 of cryptocurrency. They are limited. So they have to
14 utilize whatever they can. Online digital currency
15 exchangers also trace transactions. They have software that
11:29:27 16 will tell four or five hops or four or five transactions
17 prior to showing up in our exchange, that person's coins
18 came from a Dark Net market site, an illicit gambling site, a
19 pornographic site, whatever.

20 But we can -- they can tell it's an illicit site.
21 They, as part of their compliance program, will ask the
11:29:56 22 person that owns the account: Hey, where are your coins
23 coming from?

24 And if the person doesn't answer, they close their
25 account. They are monitoring in the type of where the coins

1 are coming from, also where the coins are going. Especially
2 if the amount of traffic or the amount of coins being
3 received, the monetary value, starts rising. If it's not
4 consistent in what the person says they do for a living, it
11:30:27 5 would become suspicious in their eyes, and they are going to
6 ask those questions.

7 An ATM machine has its own issues. The ATM machine
8 only has a limited amount of cash in it, and you would
9 actually to have drive around and hit all the different
10 ATM's, but they are not as popular yet as regular ATM's, so
11 you may not be able to facilitate the liquidation of the
11:30:58 12 funds you need, if you're a high volume vendor, by utilizing
13 an ATM machine. You're extremely limited on an online
14 digital currency exchanger, yet that would be the best place
15 to do it because they only charge 1, 1.5 percent, 2 percent.
16 ATM machines will charge 8 to 12 percent, and a peer-to-peer
17 exchanger, if you're taking your coin and you're selling
11:31:27 18 them to an individual, they can charge whatever they want.

19 And that is why we find that, at least in our
20 investigations where we have Dark Net vendors, they are apt
21 to not only become their own peer-to-peer exchanger offering
22 the sale, but, in fact, to be competitive, they may offer a
23 lower amount than what the other people are doing, just to
24 move those coins as quickly as possible. But because of the
11:31:58 25 logistics it takes to be able to just convert to fiat

1 currency and your options are limited, we usually find that
2 our Dark Net vendors have a larger quantity of BitCoins as
3 well as a larger quantity of U.S. Currency.

4 So our next thing would be forks, and then we'd be
5 done with the he cryptocurrency thing. Do you want to get
6 into the forks?

7 Q. BY MR. GADD: Let's go through it briefly. Yes.

11:32:28

8 A. Okay. The other thing with cryptocurrency is
9 they -- every now and then, since it's software and since
10 it's digital, they may need to make enhancements, different
11 features for whatever it is, and when they do that it's
12 called a fork, and it's a change of the software of the
13 digital currency network that creates two separate versions
14 of the blockchain that has a shared history.

11:32:58

15 So, the blockchain is all confirmed transactions.
16 If they make enhancements, they change the true nature of
17 it, they call it a fork because that's what happens. All
18 future transactions go a different path. So this is how it
19 will work.

20 So forks can be temporary. They can last for a few
21 minutes or they can be a permanent split in the network
22 creating two separate versions of the blockchain. When this
23 happens two different digital currencies are created. They
11:33:26 24 are known as soft forks and hard forks. So a soft fork is a
25 software upgrade. It is backwards compatible with older

1 versions. This means that the miners or participants that
2 did not upgrade to the new software would still be able to
3 participate in the future validating and verifying of
4 transactions, and then that picture on the bottom there
5 would show, you know, the original chain. Once the soft
11:33:59 6 fork occurs, the network is a little bit different, so it
7 goes down a different path and then the original chain dies
8 out because they are not mining new blocks.

9 An hard fork is something different. It's a
10 software upgrade that isn't compatible with older versions.
11 All the participants, the miners, must upgrade to the new
12 software to couldn't participating and validating new
11:34:27 13 transactions. If miners do not upgrade, they are separated
14 from the network of the new version of the cryptocurrency
15 and not able to validate the new transaction. So this
16 separation results in a permanent divergence of the
17 blockchain, which means as long as there are miners
18 validating transactions in the original or the minority
19 chain, the two chains will concurrently exist creating two
11:34:59 20 separate cryptocurrencies.

21 So when a cryptocurrency forks, if you have a
22 certain number of cryptocurrency -- I'm sorry. If a
23 cryptocurrency does a hard fork and you have -- say you have
24 Bitcoin, you have ten Bitcoin in your wallet, the moment it
25 creates the hard fork, you now have ten Bitcoin in your

1 Bitcoin wallet and whatever the new name of the fork is,
2 creates a new cryptocurrency, you now have ten units of that
11:35:29 3 cryptocurrency. That's it. That's the end of the
4 cryptocurrency portion of it.

5 Q. Let me ask you a couple of questions about forks,
6 and then I will talk about other things.

7 A. Sure.

8 Q. Did Bitcoin fork after November 22, 2016?

9 A. It did.

10 Q. Was one of the new currencies created by one of
11 those hard forks, was it called Bitcoin cash?

12 A. That's correct.

13 Q. A separate cryptocurrency, though?

14 A. Correct.

11:35:58 15 Q. And then was another called Bitcoin gold?

16 A. That's correct.

17 Q. Both of which came after November 22 of 2016?

18 A. That's correct.

19 Q. All right. Now, more generally. Do you have to be
20 smart to set up a cryptocurrency wallet for yourself?

21 A. No. You just download the program and hit "run."

22 Q. Do you have to be smart to exchange your Bitcoin
23 for cash?

24 A. No.

25 Q. Let's talk about seizing cryptocurrency for a

11:36:29 1 minute. So, as a law enforcement officer, have you run into
2 situations where there's a wallet address associated with
3 your target and your investigation and you can see on the
4 Blockchain that that wallet address has Bitcoin in the
5 wallet, but you can't access the wallet to get to that
6 Bitcoin?

7 A. Sure.

8 Q. So then what steps do you take to try to gain
9 access to the wallet?

11:36:58 10 A. The first step would be: Would you like to
11 cooperate, and then give us access to your wallet?

12 If that doesn't work, our other steps are to locate
13 the seed words or the private keys that, when they created
14 their wallet, they wrote down and stored somewhere. And if
15 we have those, we'll clone the wallet and it's just making
16 an exact copy, a working copy of the suspect wallet. I
11:37:26 17 would then seek a search warrant, and once I received a
18 search warrant, I would then send the coin from a cloned
19 wallet to a government controlled wallet.

20 And once that transaction takes place, that is when
21 the coins are actually seized because if I clone a wallet,
22 that's like I said a duplicate of a wallet that's still in
23 control of the target of the investigation. Either they or
24 co-conspirators or other people could still have access to
11:38:00 25 it. I'm not prohibiting them from doing anything with those

1 coins. The moment I do hit send and send those coins to a
2 100 percent government controlled wallet, that's when the
3 seize would actually take place.

4 Q. Let me ask you now a few questions about the source
5 of Mr. Shamo's Bitcoin. Have you reviewed wallets
6 identified on devices seized from Mr. Shamo's residence?

7 A. Yes.

11:38:28 8 Q. Did you review those wallets and associated
9 addresses on the Blockchain?

10 A. Of course. Yes.

11 Q. Do you have an opinion as to the source of the
12 Bitcoin in his wallets?

13 A. The source on wallets that we saw and we observed
14 that were responsible for feeding the other wallets used for
15 the Logistics of the distribution and whatnot, the primary
16 source of those coins were coming from Alpha Bay.

17 Q. When you were in there on the Blockchain looking at
11:38:58 18 the wallet addresses associated with the ones found on
19 Mr. Shamo's devices, did you see any evidence that any of
20 the Bitcoin in his wallets came from Bitcoin mining?

21 A. No.

22 Q. And you would see it, right, like if he had one the
23 lottery on one of the blocks, you would be able to see that
24 right on the Blockchain, right?

25 A. If he was mining, I would see it several ways; on

11:39:29 1 the Blockchain, absolutely it would state that it came from
2 a specific mining pool, a newly minted Bitcoin, but there
3 would be other tells that someone was mining. They would
4 have mining equipment. They would have an extremely high
5 power bill. Yes. So, there were other indicators, but on
6 the Blockchain it would actually list newly minted Bitcoin
7 or which -- that they are mined, as opposed to just a
8 regular transaction.

11:39:57 9 Q. And for the wallets identified and seized, there's
10 no evidence of that, correct?

11 A. I haven't seen any on the transactional histories.

12 Q. Let's talk about value of the Bitcoin historically.
13 You indicated that it fluctuates, and when I say value, I
14 mean Bitcoin to dollars, that value. And its fluctuates
15 over time, correct?

16 A. Correct.

17 Q. Did you have the opportunity to look up the
11:40:25 18 approximate value of one Bitcoin on November 22, 2016?

19 A. Yes.

20 Q. And when you talk about values, you actually give,
21 like, the low and the high for the day, right?

22 A. Yes, because it fluctuates all the time. If I said
23 Bitcoin value is this right now, right now it's different.
24 It changes because it's always fluctuating. So the way I
25 associate value, each day, historically, we'll have a low

11:40:55 1 and a high, and for when I do calculations of how much a
2 transaction was -- it's two ways; historical to find out how
3 much Bitcoin was worth that at a certain time that someone
4 had in their possession, I always base it on the low for the
5 day.

6 If I'm going to go look at what the value is for a
7 specific transaction, I will go to the Blockchain, and I
8 will see what the value is. Some sites, one in particular
9 that I like to use, blockchain.info or blockchain.com, when
11:41:27 10 you're looking at the public ledger at the Blockchain of a
11 transaction, if you hover your cursor or your mouse over the
12 transaction, the Bitcoin value, after the transaction is
13 completed, it will tell you the value at the time of the
14 transaction, in whichever currency you set for.

15 Q. Now, going back to November 22, 2016, was the
16 value, Bitcoin to dollars, for one Bitcoin, between 736 and
11:42:01 17 \$753 approximately?

18 A. Yes. Its sounds correct.

19 Q. And I think what you've testified to is if you're
20 going to pick just a single value to represent that day,
21 you're going to go to the low end value of that range,
22 correct?

23 A. Yes.

24 Q. Now one more. This is the date Ms. Shamo's wallets
25 were seized or contents were seized, did you have a chance

11:42:29 1 to look up the approximate value of one Bitcoin on October
2 11 and then on October 13 of 2017?

3 A. Yes, sir.

4 Q. For the 11th, was the value approximately \$4,751
5 dollars on the low end and then approximately 4800 -- 4873
6 on the top end?

7 A. That sounds correct.

11:42:50 8 Q. And then two days later, on the 13th of October,
9 2017, was the value of one Bitcoin \$5,436 on the low end?

10 A. That sounds correct.

11 Q. And then \$5,840 approximately on the top end?

12 A. Yes, sir.

13 MR. GADD: Elizabeth, if we could toggle now to
14 Ms. Laughter's screen, I want to just show -- I will cut out
15 most of these.

16 I want to show you just one exhibit seized from
17 Mr. Shamo's electronic devices.

11:43:25 18 Could we look at 14.03.

19 Can you see that there?

20 A. Yes, sir.

21 Q. We're looking at iMessage messages. And then if we
22 could pick it up on the bottom half there where it starts
23 with local user and then go down. So if you could call out
24 the bottom half for us.

25 Is that easier to see?

1 A. Yes, sir.

2 Q. All right. Could you ride that top one to us?

3 A. Top line. Local user. Hey, this is Aaron. I saw
11:43:57 4 your ad on Local Bitcoins. Would you be available tomorrow
5 to do a trade for 5,000?

6 Q. And you have had a chance to do this before,
7 correct?

8 A. Yes.

9 Q. The local user, the person whose device we seized,
10 is talking with someone whose phone number is not identified
11 on here, and they are setting up a Bitcoin transaction,
12 correct?

13 A. Yes.

14 Q. Why would someone want to set up a transaction like
15 this outside of the website localbitcoins.com?

11:44:29 16 A. And it depends. I would have to look at the rest
17 of the message to see if it actually did go outside of the
18 site. This could be -- I can't tell the format of this.
19 This is a messaging platform.

20 Q. iMessage?

21 A. Okay. So the person most likely put their -- you
22 put it in the ad. If you're looking to buy Bitcoin and
23 that's your business, you're going to put information in
24 your ad saying: If you're interested, contact me at this
25 number.

1 Q. And we can scroll through. This is a long exhibit,
11:44:58 2 but what if we looked at just maybe the first six pages. We
3 won't go any farther.

4 A. That's fine. We'll just scroll through. Okay.
11:45:12 5 I'm ready for the next page. Next page, please. Next page.
6 Okay. So it looks like they continued business with this
7 person, so at least on this one -- and I don't know what was
8 conversed in person.

9 Q. Sure.

10 A. At least this one tells me that local user is --
11 it's because of also looking at the second message, the
12 second transaction that was going on -- asked to do a trade
13 for Bitcoin for 5,000. Based off the first portion, the
11:45:57 14 first earlier dated message text string, all we know is
15 that's going to be Bitcoin and someone is going to be
16 receiving 5,000. I couldn't tell if someone was selling
17 Bitcoin or not, but now when we go to a later date, that
18 specific individual was reaching out to local, the local
19 user asking: Are you still selling coins?

20 So, based off of that, that tells me the first
21 transaction, Aaron was looking to sell Bitcoin for \$5,000.
22 Whether they used it or not, there is no mention in this,
11:46:28 23 but normally if you are going to sell Bitcoin or you are
24 going to buy it, you can get a better deal with the vendor
25 if the site doesn't act as an escrow and take a percentage

1 of the transactioning, so they just most likely did what I
2 referred to, which is commonly referred to as a direct deal.

3 Q. I promised you one, now I have changed my mind if
4 that's all right?

5 A. That's fine.

6 Q. Could we look quickly at 14.02. Same questions
11:46:57 7 here. So again we're looking at iMessage and then starting
8 at that top, that blue one, if we could call that up.

9 Take just a minute and look at this and then I want
10 to ask you some questions about it.

11 A. Okay.

12 Q. So in the blue at the top the person identifies
13 themselves as Aaron Shamo 4 from Local BitCoins. Do people
11:47:30 14 sometimes use user names on Local BitCoins?

15 A. Absolutely.

16 Q. And then does it appear to you that two people were
17 meeting up for a transaction or at least setting that up?

18 A. They are setting up a meeting. The first message
19 is very clear that they are going to know him from
20 localbitcoins.com site, and they are just, yeah, figuring a
21 location to meet.

22 Q. And then it looks like Starbucks, Cottonwood
23 Heights?

24 A. Uh-huh.

25 Q. Okay.

11:47:56 1 Could we look at the next page quickly.

2 A. Okay. So right off of this -- and when I look at
3 the message, I also look at the time stamp on it. So they
4 set up a meet, courtesy message saying: Hey, thanks. I'm
5 getting off the freeway.

6 And then what we have there is they are together
7 they are meeting in order for them to effect the
8 transaction. It's easier for the person -- if I'm going to

11:48:28 9 receive coins from, say, you at a meeting, I'll text you my
10 Bitcoin address by copying it from my wallet app, pasting it
11 in a text message, sending it to you so then that you can
12 copy it character-for-character, because it's lengthy, paste
13 it into your wallet app to send me the coins. So the fact
14 that the other phone provided an address, that tells me that
15 the flow point is going from Mr. Shamo to this individual.

16 Q. And let's call up that address. So it's the long
11:49:00 17 string starting one.

18 Yeah, you got it.

19 A. Yep.

20 Q. Is that the address there you're referring to?

21 A. Absolutely. That's the Bitcoin address.

22 Q. 1HBE2Q, that one?

23 A. Correct.

24 Q. And that came from the other individual?

25 A. Yes.

1 Q. All right. Now let me ask you a more general
2 question. Based on your experience in investigating these
3 cases, where does the person holding the wallet who gets
11:49:26 4 paid by the Dark Net market fit into a drug trafficking
5 organization's hierarchy?

6 A. Just like any other business, they are the boss.

7 Q. Let's talk for a minute about PGP encryption.

8 A. Sure.

9 Q. If we can toggle back.

10 Did you also prepare slides, a short set of slides
11:49:52 11 to aid your testimony in describing for the jury PGP
12 encryption?

13 A. I did.

14 Q. When you're ready, let's jump back in.

15 A. Okay. So we had mentioned -- a little bit earlier
16 I had mentioned PGP encryption, and threw some words at you
17 all. This is going to just help you understand it. It's a
18 very short slide with some animation and then -- so, first
11:50:26 19 off, with PGP encryption. PGP encryption is also referred
20 to as pretty good privacy. It's a way to encrypt messages
21 online. It's used to encrypt emails, texts, files and more.
22 It was created in 1991, and it's the closest to military
23 grade encryption known, commonly used on Dark Net markets.

24 When I said Alpha Bay required use of it by the
11:50:56 25 vendors just to log into, this is what it is. It's not

1 difficult. The software does the majority of the work, like
2 most of the stuff being used, but to understand how it
3 works, I'll utilize these two animation figures, Zack and
4 Rob. Rob wants to send Zack a message over the internet.
5 That's what a message would look like. But Rob doesn't want
6 someone who is spying who has access to the message to be
7 able to read the message if they intercept it.

11:51:30 8 So, to accomplish that, both Rob and Zack should
9 encrypt their message using PGP. To begin, they each need
10 to have a computer, the computer needs to have internet
11 access, and they need to download and install the PGP
12 software. It could also be a cell phone. There are five
11:51:54 13 steps to encrypt a message. Zack will create a public and
14 private key. He'll share the public key with Rob. Rob will
15 encrypt the message with Zack's public key, send a message
16 to Zack. Zack will decrypt Rob's message using his own
11:52:18 17 private key. That creates his private and public keys.

18 He will give a copy of his public key to Rob. Rob
19 will use that public key to encrypt the message, send it
20 back to Zack, who will use his private key to unencrypt
11:52:56 21 Rob's message. If anyone intercepts the message over the
22 internet or finds it in its encrypted format, it will look
23 like this. And the indication that it's encrypted and it's
24 a message, not the key that they are sharing is -- if you
25 read the top of it and the bottom, begin PGP message or end

1 PGP message. That is really it.

2 All you would have to do is copy from the first
11:53:28 3 dash up top to the bottom dash on the bottom. As long as
4 you have their public key in your key ring, you can encrypt
5 a message and send it in this format to them, but if someone
6 sends you a message with your public PGP, you copy and paste
7 all the characters, put it on your clipboard for your key
8 chain and hit the button that says decrypt. It will prompt
9 you for a password. You put your password in and then the
11:53:57 10 message decrypts. Nice and simple. That's it.

11 Q. I think you got at this at the end, but I want to
12 make sure that we are abundantly clear. Is it hard to
13 encrypt a message using PGP encryption?

14 A. No. The software does it all.

15 Q. Is it hard to decrypt a message coming to you if
16 you have the right key?

17 A. No. It's cut and paste.

11:54:23 18 Q. Were PGP keys significant in your efforts to
19 de-anonymize vendors in your Dark Net overdose
20 investigations?

21 A. Absolutely.

22 Q. How so?

23 A. On my overdose investigations, we actually have to
24 conduct two investigations. We have a victim who is
25 deceased, so we need to look at their key ring on their

1 computer and their devices and see whose public keys they
2 were in possession of to see if they married up with anyone
11:54:55 3 that we suspect was the vendor responsible for selling them
4 the narcotics. That's the first portion of it. Then when
5 we take our regular steps to de-anonymize the individual
6 responsible, when we do our search warrants, we look to see
7 if the vendor's computers have a key pair, which is the
8 private and public key together.

9 That key pair, if the public portion of that key
10 pair is the same public key displayed on the vendor's
11:55:26 11 profile page, they are operating as the vendor.

12 Q. In we could toggle one last time to Ms. Laughter's
13 screen, I want to show you an exhibit. This would be 14.46.
14 This is a document seized from Mr. Shamo's iMac. There's
15 one next to me, in fact. Have you had a chance to look at
16 this previously?

17 A. Yes, sir.

11:55:58 18 Q. Would you tell the jury what it is we are looking
19 at here in 14.46? Can you scroll through it?

20 A. Yeah. It's missing the middle portion.

21 Q. Here we go. That's it.

22 And then if we could move to the next page.

23 A. So, right there, on that slide right there on it,
24 so when you export -- when you create a PGP key or you have
25 your software and you're going to create your own key pair,

11:56:28 1 this is what it looks like. It's a private key block and a
2 public key block. And if you take this, both of them, and
3 import it into a key ring, you now can encrypt messages with
4 that key.

5 When we have these and we find these, we take a
6 good close look. We do several things with it. One of them
7 is we will import it into our key ring and get the
11:56:58 8 identifiers, the key ID, stuff like that. It will tell us
9 the date the key was actually -- the original key was
10 created, but what I teach my investigators, it doesn't even
11 get technical is, if you believe you have this and you
12 believe it belongs to your vendor, compare the public key
13 block to the public key on the vendor's Dark Net page, and
14 if it matches, it's your vendor.

11:57:29 15 Q. Could you just go line-for-line?

16 A. I mean, I first will do it the regular way, but you
17 can actually really put it right up against the picture of
18 one and go line-for-line, and you will see that they
19 actually match.

20 Q. All right. I want do that with you, but before we
21 do that, let's talk more about the regular way. Did you
22 take this key pair and import it into your key ring?

23 A. Yes.

24 Q. Were you able to tell when this key pair was
25 created?

11:57:58 1 A. This specific one was created November 11, 2015.

2 Q. Okay.

3 Now, Ms. Laughter, if we can, could we take the
4 last page. So this will be the end of the public key block.
5 And I'm wondering if we can split screen it with one of
6 those earlier screen shots we were looking at. And I'll
7 give you the number when you're ready. Yeah. You've got it

11:58:29 8 there. Yep. And I'm wondering if you could call out for us
9 just the last two or three lines of each of these public
10 keys we've got on both sides of the page.

11 A. Okay.

12 Q. You can see those both okay?

13 A. Yeah.

14 Q. And we won't do the whole entire public key. You
15 have in fact compared them, correct?

16 A. I compared them not only visually but when I
11:59:00 17 imported it.

18 Q. And these are the same?

19 A. The exact same.

20 Q. And the jurors can see it right now, right?

21 A. I can see it. So, yes, the text document on the
22 left is double spaced but the characters are all the same,
23 going from the first that locates, E, capital K, capital U,
24 capital H, all the way through the line to the end where it
25 was lower case q, lower case i, 6, capital E, capital B.

11:59:28 1 Same thing for the line after that. Same thing for the last
2 portion of it. And then in the end, after the equal symbol,
11:59:33 3 capital L, lower case t, l, x. It's the same.

4 Q. Okay. Let's you and I clarify, and I appreciate
5 having help. So we have got two PGP screen shots up here.
6 The one on the left came from Mr. Shamo's computer, correct?

7 A. Yes. That's what I was told.

8 Q. The one on the right same from Pharma-Master's
9 front-facing store on Alpha Bay correct?

10 A. It's a screen shot of his profile page, yes.

12:00:27 11 MR. GADD: Nothing further. Thank you.

12 THE COURT: Thank you.

13 You may cross examine, Mr. Sam.

14 CROSS EXAMINATION

15 BY MR. SAM:

16 Q. Mr. Gino, when you started out your testimony, you
17 were asked about two cases; is that correct?

18 A. Yes, sir.

19 Q. One in Philadelphia, one in Portland, I believe; is
20 that right, or something like that?

21 A. Both of my victims on both cases were in Portland,
12:00:56 22 all the victims involved, but the locations were
23 Philadelphia and South Carolina.

24 Q. South Carolina, okay. Just to be clear, those
25 cases have nothing to do with this case; is that correct?

1 As far as Aaron Shamo and investigating this case, those
2 cases didn't lead to investigation on this case or -- is
3 that correct?

4 A. Correct, sir.

5 Q. And they have nothing to do with Aaron Shamo,
6 correct?

12:01:28 7 A. The sites are the same, Alpha Bay, so I don't
8 really understand what you mean by the question.

9 Q. Your involvement with those cases didn't lead to
10 your investigation on this case; is that correct?

11 A. Oh. You're asking if my investigation in those
12 cases led to the investigation of Mr. Shamo?

13 Q. Correct.

14 A. No. My experience on those cases is why I assisted
15 on the case with Mr. Shamo.

12:01:56 16 Q. Okay. So the facts of those cases don't relate to
17 the facts of this case, correct?

18 A. The methods were the same, but, yes, the facts we
19 charged Mr. Shamo with were not the same.

20 Q. Okay. I just wanted a clarification on that. If
21 we could -- I think we -- so Exhibit 15.26, if we could pull
12:02:24 22 that up? I mean, we could go to -- is it 3442? If we can
12:02:46 23 just pull that up. Actually we can stop it right here.

24 Do you recognize that, what that exhibit is, or do
25 we need to show more?

1 A. That would be access to the Sigaint security email,
2 does that sound correct? That's what the address looks like
3 at the top.

4 Q. Okay. Were you present when this video was made --

5 A. Yes.

12:03:29

6 Q. -- do you remember? And can you tell us about
7 that, when that happened or about making it?

8 A. I believe this was during an interview with one of
9 the defendants.

10 Q. It would have been an interview -- maybe I can help
11 you out -- with Mario Noble?

12 A. Yes.

13 Q. You were sitting down with him at a computer?

14 A. Yep.

15 Q. And basically taking some screen shots. And I
16 think Mr. Gadd showed you a screen shot during this video
17 probably when the operation had the email or the -- not the
18 email but the message from Pharma-Master saying the owner
19 had been busted today. Is that correct?

12:03:59

20 A. The -- this was a lengthy interview, so what we did
21 was we accessed the account, so if the screen shot came from
22 that, then I would agree, but I don't know if that screen
23 shot came from an instance when I wasn't there.

24 THE COURT: What exhibit is this?

12:04:30

25 MR. SAM: It's exhibit 15.26, and it's a video

1 where --

2 I believe you were present, maybe not the whole
3 time the video was being made.

4 A. I was. If we could put the video at the portion
5 where the screen shot was set then I can say, yes, this is
6 when that screen shot was.

7 MR. SAM:

8 Q. Could you put that up? Yeah. 3442.

9 A. Okay. Yes. So --

12:05:12 10 Q. Right. Maybe it was the screen shot before that
11 was blown up. It says: This account owner got busted
12 today.

13 A. Yes. So I would say, yes, I was present, and I was
14 doing the recording of it, and I guess the screen shot came
15 from that. Thank you.

16 Q. Right. Okay. So -- and I want to ask the
12:05:27 17 question, too. You came into this after Mr. Noble had been
18 arrested, right, and you sat down with him. Is that
19 correct, or were you involved earlier?

20 A. You mean for the interview?

21 Q. No. I mean, as far as investigation in this case,
22 were you involved prior to this interview with Mario Noble
23 or?

24 A. I actually had an investigation on one of
25 Mr. Shamo's customers, so I guess technically I was involved

1 in a portion of this investigation beginning of November of
2 2017.

12:05:59 3 Q. Or 2016?

4 A. I mean 2016. Sorry.

5 Q. Correct. So it would have been -- the earliest you
6 would have been involved in this case would have been with
7 that, November, 2016; is that correct?

8 A. That's correct.

9 Q. Okay. And are you aware of how this case evolved,
10 when it was first discovered that this operation was there?

11 A. Which operation?

12:06:28 12 Q. The one that Mr. Shamo is accused of.

13 A. No. I'm sorry. I didn't really -- if you can
14 clarify the question because there's different aspects of
15 this investigation, so...

16 Q. Right. So, are you aware of how this investigation
17 of Mr. Shamo, what Mr. Shamo has been alleged to have been
18 involved in. --

19 A. Yes.

20 Q. -- when it started? And when was that?

21 A. I would say a day or two after his arrest, I was
12:06:59 22 notified by one of the headquarters units about a
23 deconfliction within one of my targets and the case that was
24 happening out here.

25 Q. Okay. And that's when your department got

1 involved?

2 A. Department? HSI was involved from the beginning.

3 Q. So, are you aware that Mr. Shamo -- or there was a
4 package that was intercepted in San Francisco in July that
5 led to Ryan *Jensen's house being searched?

12:07:29 6 A. I am familiar with that.

7 Q. Okay. And then, from there, Ms. Gygi was
8 interviewed and searched, his home?

9 A. I know other people were receiving packages, and
10 there were interviews conducted, and their investigation
11 ultimately led to Mr. Shamo.

12 Q. Okay. And it wasn't a result of the investigation
13 in these internet transactions that discovered Mr. Jensen or
14 Mr. Gygi or Mr. Noble; is that right?

12:07:59 15 A. I actually don't know how they got them. I'm --so
16 I can't answer that.

17 Q. It wasn't a result of your investigation, correct?

18 A. Not my investigation.

19 Q. Right. And yours kind of began in this case with
20 Mr. Noble; is that right?

21 A. No. My portion -- my actual beginning of anything
22 that ties to this case began with an investigation on

12:08:25 23 another individual that was receiving narcotics in Portland,
24 Oregon.

25 Q. Okay. Okay. And so you gave testimony about --

12:08:51 1 let me just take a look at my notes here. I did want to ask
2 you about the messages with Mr. Shamo transacting on Local
3 Bitcoin?

12:09:29 4 A. The ones I just spoke about.

5 Q. The ones you just spoke about.

6 A. Sure.

7 Q. So I did want to ask you about how -- would that
8 be -- you did testify earlier that proceeds from illegal
9 activities, the individuals involved in that have a hard
10 time converting that to fiat; is that correct?

11 A. Yes.

12 Q. Okay. And taking it to Local Bitcoin, would that
12:09:57 13 be a method that someone would use to convert illegal funds
14 to fiat, then? Would that be -- would that be more of an
15 exposure for them, I guess is my question.

16 A. Because they do not require any know-your-customer
17 type stuff, not a registered account with the True ID or
18 anything like that, it's actually the opposite. It's less
12:10:25 19 exposure to any entity that seeks to regulate. It's a
20 platform where they can meet. So I would say it's less
21 exposure, at least to law enforcement or entities that do
22 regulations.

23 Q. Okay. And the only way you discovered that is
24 through discovery and getting into their messaging, then; is
25 that correct?

1 A. Well, actually, because I would review -- the way
2 you discover -- are you talking about that specific message
3 or...

4 Q. I would say in general, that it's --

12:10:57

5 A. In general, the computer forensics showed emails
6 coming to that address saying: You have a confirmed -- so
7 and so accepted your terms of sale.

8 And it was coming from the localbitcoins.com site,
9 so when I first observed that, I had an idea what was going
10 on. This was the first time I had actually seen those
11 specific messages. But there were indications of
12 localbitcoins.com's use from emails that were received.

12:11:23

13 Q. Okay. And you testified, too, about Alpha Bay
14 about how it was set up. And you stated that there was --
15 there would be an administrator, a vendor would have an
16 administrator in charge; is that correct?

17 A. No.

18 Q. Okay. Explain that.

19 A. The site itself -- I was just explaining the
20 different roles of different people that -- or entities that
21 would be on the you site. So that's just germane just to a
22 Dark Net market site. A vendor would be someone who is --
23 wants to use the site to sell. The site itself, the main
24 person of the site would be the administrator. So it's...

12:11:59

25 Q. Not necessarily the vendor, then?

1 A. Absolutely not the vendor. The vendor is paying
2 to -- it's like renting space at a flea market. The vendor
3 is paying a bond to sell their items on the site.

12:12:32 4 Q. Okay. So your job is to find people that want to
5 be anonymous on the Dark Net, correct?

6 A. My job is to find those that are doing something
7 illegal and are acting in an anonymous matter, for me to
8 identify who they are and arrest them and charge them.

9 Q. Right. They want to be an anonymous and they want
12:12:57 10 to -- they are doing illegal activity. That's what you're
11 going after?

12 A. Yeah. I have to have someone violate a law that I
13 enforce for me to go after them.

14 Q. And then once you start getting information like
15 talking to Mr. Noble, you're able to get in and find out
16 who's involved; is that correct? You can kind of start
17 digging into it?

18 A. Yes. It's part of the investigation, so, you know,
19 we'll find evidence and statements and stuff and corroborate
20 their statements.

21 Q. And then, from there, you can find fingerprints of
12:13:29 22 who -- and I think you. I'm sorry. Let me retract that.
12:13:55 23 You made the statement about somebody being involved in
24 transacting the money as somebody being the boss or on top;
25 is that correct?

1 A. I said something, but do you have what the question
2 was?

12:14:14 3 Q. That's what I'm looking for.

4 THE COURT: It's about quarter after 12. Let's
5 take our second longer break now, unless you only have one
6 or two questions.

7 MR. SAM: I just have a couple more questions, Your
8 Honor.

12:15:27 9 MR. SKORDAS: We'll be faster.

10 MR. SAM: So, as far as the verified transactions,
11 and the concept of money being held in escrow, that -- or
12 the concept of money being held in escrow is just not a Dark
13 Net concept, correct?

14 A. Correct. Money or cryptocurrency or just in
15 general?

16 Q. In general.

17 A. Uh-huh.

12:15:56 18 Q. And Amazon transactions or money that can be held
19 before the purchase is verified, that happens in --

20 A. I wouldn't actually say that for Amazon. When I
21 purchase something from Amazon, my credit card is billed
22 instantly before I receive the product. I have the option
23 of returning it or having a dispute with them, but, no,
24 that's not an escrow system. That's them charging me and
25 then if I don't get the product or I have options. That's

1 not a good comparison.

12:16:28 2 Q. But there are other everyday transactions that
3 involve escrow, not just related to the Dark Net, correct?

4 A. I can't really think of any, but I don't -- I mean,
5 I may not be a good person to answer that. Do you have an
6 example?

7 Q. Just money being put down on a purchase of a car?

8 A. Oh. Okay. Yeah. Absolutely.

12:16:58 9 Q. So -- and then, as far as the PGP key, there's --
10 that's a public key, correct, or the -- or I'm asking, I
11 guess, could multiple people have access to the public PGP
12 key. It's not just related to -- or I mean just one person
13 that has that?

14 A. The public key?

15 Q. Uh-huh?

12:17:27 16 A. Anyone who wants to communicate with the person
17 that is putting that out there will have possession of the
18 public key.

19 Q. Okay. And then the last couple questions I have to
20 you are just related to, if somebody wanted to be anonymous
21 and not have their stamp on even the Dark Net, they would --
12:17:55 22 they would want to not be associated with any of these
23 transactions; is that correct?

24 A. So, which transactions are we talking about, the
25 narcotics transactions or the money transactions?

1 Q. Or any of them. Like Bitcoin -- I mean if you
2 were -- if you were smart about being involved in this drug
12:18:29 3 organization, you would want to be totally anonymous, right?
4 You would want -- you wouldn't want to have your name on any
5 of the Bitcoin transactions or any of the orders or as a
6 vendor?

7 A. I understand what you're asking.

8 Q. Right, I mean --

9 A. So, if someone wants to be truly anonymous, they
12:18:53 10 would have to not be near anything, including the end
11 proceeds. It just doesn't happen. There's not enough trust
12 in the world where someone can hold on to all of their
13 money. It's just human nature. But, yeah, if someone truly
14 wants to be anonymous, then they would have to set up
15 something that nothing would ever trace back to them.

16 Q. Yeah, like in this case with this drug operation,
17 Mr. Shamo didn't accomplish that, correct?

12:19:30 18 A. Mr. Shamo is sitting in this courtroom, so I would
19 agree with your statement.

20 Q. Yeah. And so there's -- if there was somebody else
21 that wanted to be anonymous, they wouldn't be all over all
22 the Bitcoin or the orders?

23 A. So your question is, want to be anonymous. If
24 someone wants to be anonymous that's what they would have
12:19:56 25 to. The fact is, if someone is going to operate a business

1 as a Dark Net vendor, it's impossible for them to be
2 anonymous.

3 Q. Because there will be something that will
4 ultimately find him, correct?

5 A. Usually it's the proceeds.

6 Q. The proceeds. So money, a money trail will --

12:20:26

7 A. For a large quantity of narcotics that sold for a
8 large quantity of money, there would be a large quantity of
9 unexplained wealth that, at one time or another, crossed
10 paths and it was in the form of cryptocurrency for a Dark
11 Net vendor.

12 MR. SAM: Okay. No further questions, Your Honor.

13 THE COURT: No redirect?

14 MR. GADD: No, sir.

12:20:46

15 THE COURT: We'll take our break and we'll be back
16 at 10 minutes to one. Thank you. We'll be in recess on
17 this matter until ten to one.

12:21:20

18 (Whereupon the jury leaves the courtroom.)

19 (Lunch break.)

20 THE COURT: We'll get the jury and proceed.

21 MR. GADD: Yes, Your Honor.

12:53:55

22 THE COURT: I assume you've got a witness.

23 THE CLERK: All rise, please.

24 (Whereupon the jury enters the courtroom.)

25 The government may call it's next witness.

1 MR. GADD: Your Honor, the United States calls
2 Robin Biundo.

3 THE COURT: Come forward and be sworn, please,
4 right up here in front of the clerk of the Court.

5 ROBIN BIUNDO,
6 the witness hereinbefore named, being first duly cautioned
7 and sworn or affirmed to tell the truth, the whole truth,
8 and nothing but the truth, was examined and testified as
9 follows:

12:56:06 10 THE CLERK: Please state your name and spell it for
11 the record.

12 THE WITNESS: My name is Robin Biundo. R-o-b-i-n.
13 B-i-u-n-d-o.

12:56:24 14 THE COURT: You may proceed, Mr. Gadd.

15 DIRECT EXAMINATION

16 BY MR. GADD:

17 Q. Ms. Biundo, are you prepared to testify about your
18 part in the investigation of Pharma-Master?

19 A. Yes, I am.

20 Q. Before we do that, very briefly I want to give the
12:56:58 21 jury a summary about your background and your experience.
22 Can you tell them a little bit about yourself.

23 A. My name is Robin Biundo. Again, I work for
24 Homeland Security investigations in Portland, Oregon, and I
25 have lived in Portland for about 22 years now, and I enjoy

1 the weather out there. I love to do the kayaking on the
2 lakes, do some hiking in the gorge and stuff like that.

3 Q. What are some of your duties with Homeland Security
4 Investigations?

5 A. Homeland Security Investigations, I have been there
6 for about ten years, and I'm currently an intelligence
12:57:29 7 analyst for the group 2, which is our narcotics and bulk
8 cash smuggling group. Some of my duties with that is to
9 assist the agents in their investigation, and I do that by
10 collecting and analyzing data on targets we are looking at.

11 Q. You were involved in the investigation, the broad
12 investigation into Mr. Shamo; is that correct?

13 A. That's correct.

14 Q. When did you first become involved?

12:57:58 15 A. I first became involved with a parcel that was
16 seized by customs and border protection that was headed to a
17 target out in Portland by the name of Olivia Luckcuck.

18 Q. And that ended up tying into this broader case,
19 correct?

20 A. That's correct.

21 Q. In the period of time in which you were
22 investigating your part of the case, the Portland side of
23 it, and then when you were helping with the broader case,
24 were you accessing Alpha Bay as part of your work duties?

12:58:30 25 A. Yes, I was.

1 Q. Did you use an undercover account?

2 A. Yes, I did.

3 Q. Did you ever -- and when I say "you," I mean
4 generally the group you work in, you, the agents and the
5 other analysts that you worked with, did you all ever take
6 over accounts from cooperating suspects?

7 A. Yes, we did.

8 Q. If you had to give us a general idea, how
9 frequently would you say you accessed the Dark Net as part
10 of your work duties?

12:58:59

11 A. As part of my work duties and during that time
12 frame with the case, that I was involved with the case, I
13 would say on average about four or five times a week.

14 Q. Did you use your access to take pictures of
15 feedback left on Pharma-Master's store front on Alpha Bay?

16 A. Yes, I did.

17 Q. Could we look at Exhibit 15.00. This is
18 approximately 366 pages. Do you recognize this as the
19 screen shots that you took?

12:59:28

20 A. Yes, I do.

21 Q. Here on the first page, let's just look at a
22 couple. If we could look at the bottom three rows of
23 feedback. Can you see that?

24 A. Can you make it bigger? Maybe one side and then
25 the other? Would that help with the --

1 MS. BECKETT: Your Honor, if we could briefly
2 approach?

3 THE COURT: All right.

13:00:15 4 (Discussion among the Court and counsel at the bench.)

13:00:15 5 MS. BECKETT: So, at the pre-admission hearing, we
6 made some objections, but not all objections. Some of those
7 were still held over, and the concern that I have right now
8 is that these documents that are essentially already
9 published to the jury right now, they have hearsay
10 statements in them that both contain an amount of drugs and
11 statements about the type of drugs involved, so I have
12 serious hearsay concerns in that regard, but I'm not quite
13 sure how the Court would prefer to address it given we
14 didn't actually address it at the pre-admission exhibit
15 hearing with regards to hearsay.

16 MR. GADD: Your Honor, I think she is referring to
17 the bottom row on the feedback, or so the parts that say
18 what drug and the quantity; is that correct?

19 MS. BECKETT: Part of that. But also some say:
20 Great Fent. Fent was fair.

21 Even so, the record is on the Fentanyl itself, and
22 I don't have the people who wrote that feedback. I don't
23 have any substantiation of that feedback being what it is
24 and that it actually involved Fentanyl. So that's my
25 concern.

1 MR. GADD: So then it's two parts, not only at the
2 bottom row but the part where ostensibly with users having
3 typed in their feedback?

4 THE COURT: Identifying the drug?

5 MS. BECKETT: Correct.

6 MR. GADD: Yes, that and others, we have addressed
7 this in our pretrial motion responses, specifically
8 addressing that it's not hearsay. It's excepted out by the
9 rule, so Mr. Shamo -- and this is what we have argued
10 previously and that the Court has ruled on. Mr. Shamo chose
11 to sell drugs on Alpha Bay, and part of the terms of that
12 arrangement is that Alpha Bay would post feedback on his
13 storefront. Mr. Shamo adopted that feedback. That feedback
14 is how he was so successful. He needed -- he didn't have a
15 choice once he joined Alpha Bay. And he needed that in
16 order to entice potential customers to come and buy from
17 him. This is an adoption by a party opponent.

18 And then, the second part, what was purchased and
19 when and what quantity? That can't be hearsay either, by
20 definition, because it was not made -- or is not made by a
21 person, not a declarant. It's generated by a computer.

22 MS. BECKETT: Twofold. One, I don't think that
23 those fall under the adoptions by a party opponent.
24 Mr. Gadd himself has essentially said those were just part
25 of the terms of service, that they had to be posted. The

1 specific statements in there also are not just the lines
2 across the bottom where there is a statement -- I can't
3 remember the exact statement. Thanks for the 500 Fent.
4 That's still a person writing that. Thanks for the 500
5 Fentanyl. So that is a separate issue.

6 I don't see how that can fall under an adoption of
7 a statement of the party opponent. I don't see that this
8 falls under that category, and I don't think we have
9 specifically addressed that objection at the hearing. I did
10 make that objection, but I don't think we went down that
11 road. I think we were talking about the foundational
12 objection.

13 THE COURT: Anything else?

14 MS. BECKETT: I'm positive we addressed it in our
15 brief leading up to the hearing on this specific issue.

16 THE COURT: Your objections are overruled. Is
17 there anything else you want to say for the record?

18 MR. GADD: No.

19 THE COURT: It's considered reserved.

20 (Whereupon the proceedings were continued in open court.)

21 Q. BY MR. GADD: Okay, Ms. Biundo, we're looking at

13:05:28 22 15.00. We're on the first page. And Ms. Laughter has
23 called out the last three rows of feedback for us. Because
24 it is still hard to see, she has now given us part of that
25 but not the entire way across. You can see that on your

1 screen, correct?

2 A. Yes, I can see that.

3 Q. Okay. Can you read the first and second rows of
4 feedback on the screen?

5 A. Basic economics will tell you to put all your money
13:05:57 6 back into re-upping. Don't spend hella money. Put all that
7 stuff back into Pharma's pills because these will make you a
8 millionaire under a year guaranteed.

9 And it's in Box 30, oxycodone, 30 milligrams times
10 2,000.

11 The next one is: Another week, another 50K. Me
12 and Pharma are getting rich while you guys are penny
13 pinching. Spend all your money with Pharma.

14 Again, that's the end Box 30. Oxycodone 30
15 milligrams times 2,000.

13:06:29 16 Q. If we can zoom in on it for a moment and look at
17 the other half now on those rows. That's good right there,
18 yeah.

19 You can see the first and last initial of the buyer
20 correct, T and Y?

21 A. That's correct.

22 Q. Did you -- as part of your duties, did you
23 investigate who this TY was?

24 A. Yes, I did.

25 Q. What was that buyer's user name?

1 A. That buyer's user name was Trustworthy Money.

2 Q. Was Trustworthy Money your target in Portland?

3 A. Yes, it was.

13:07:00

4 Q. Let's look at page 4, if we could for just a
5 minute. Sometimes a user would leave a feedback comment
6 like that -- rephrase. Sometimes a buyer would leave a
7 feedback comment like the ones you wrote, correct?

8 A. That's correct.

9 Q. As you were going through this, did you also see
10 instances where the buyer chose not to leave a Comment?

11 A. Yes, I did.

12 Q. So, for example, halfway down you see one that says
13 no comment. Is that what happened there?

14 A. That's correct, yes.

13:07:29

15 Q. Let's look quickly at page 100.

16 And then if you could look at third from the
17 bottom. Is this also a Trustworthy Money feedback?

18 A. Yes, it was.

19 Q. And if you could read that with substituting the
20 word.

13:07:56

21 A. My blank Pharma came through again. Stealth is
22 three times as good as two months ago, too. Good job. I'm
23 coming for 5K by the end of the weekend. Your number 1
24 customer right here.

25 Q. When you were capturing feedback, you didn't just

1 capture the positive feedback, right?

2 A. That's correct.

3 Q. So there were 366, roughly, pages of positive, but
4 there was a few pages of negative or neutral feedback,
5 correct?

6 A. Yes.

7 Q. Let's look briefly at those.

8 Could we look at 15.01.

13:08:26 9 Are we looking here at negative feedback?

10 A. Yes, we are.

11 Q. And then what if we looked at page 2, and then
12 maybe the 7th down. Do you see the middle one there?

13 A. Yes, I do.

14 Q. Does it say: Looks like the feds got him. Package
15 never showed up.

16 Do you see that one?

17 A. Yes, I do.

13:09:00 18 Q. Would you sometimes see this, even when it wasn't
19 true?

20 A. Yes. On different vendors' pages, I would see
21 that.

22 Q. Is that a -- is that maybe an overreaction by a
23 customer?

24 A. That was my understanding of it, yes, when I would
25 see it.

1 Q. So it's not that that customer -- oh, maybe we
2 should say the date on that is November 17, right?

3 A. Correct.

4 Q. It's not that customer could see the future,
5 perhaps just overreacting?

13:09:31 6 A. That's right.

7 Q. Let's -- if we zoom out just a little. We're on
8 page 2 still. On a couple instances here, like halfway down
9 the page, you will see a reply by the seller. Yeah, if you
10 start there and just go up two or three on your call out.
11 That's great. Would you also see this as you were reviewing
12 the feedback?

13 A. Yes, I would.

13:09:57 14 Q. The feedback that's left on a seller's store
15 affects their bottom line, correct?

16 A. It does. It affects their rating scores.

17 Q. Did you see instances such as this where
18 feedback -- or feedback is left and it's negative, and then
19 the seller replies and then asks that the feedback be
20 removed?

21 A. Yes. I've seen that before.

22 Q. Let's look at one last one. If we could go to page
23 3. And then I want to look at the fourth from the bottom.

13:10:34 24 Do you see the date on that one? That's June 15,
25 correct?

1 A. Correct.

2 Q. Of 2016. Could you read the feedback that was left
3 here.

4 A. Thanks to Pharma-Master, I had two federal U.S.
5 Postal Inspectors at my front door asking a bunch of
6 questions because this moron can't package stuff right.

13:10:55 7 Just a bag of pills in another bag of half-eaten cookies,
8 not even vacuum sealed. Don't buy.

9 Q. You took all that good feedback, and even this
10 negative and neutral feedback, and you and your group
11 created a table that showed all those rows, all those
12 transactions, right?

13 A. That's correct.

14 Q. let's look at 15.02. Is this the table that you
15 created?

13:11:29 16 A. Yes, it is.

17 Q. Would you -- very briefly, would you walk the jury
18 through what each of the columns means?

19 A. Sure. The column with the date, that's the date
20 that it was finalized on the feedback forms that we were
21 looking at. The purchaser; again, we know don't know
22 exactly who the moniker was, but it's the first letter of it
23 and the last letter of it. Then you have the price that
24 they paid for the product that they purchased. Then you
13:11:58 25 have the dose, which is how many milligrams they bought, and

1 then the quality of the how many pulls they purchased, and
2 then what it was sold as and what it was actually named on
3 Pharma-Master's store front.

4 The last one is just for the Intel site to keep
5 track of, you know, which page we got the feedback from.

6 Q. As we go down that last column, we know when it
7 goes from page 1 to page 2 --

8 A. Correct.

9 Q. -- that is what we were just looking at a minute
10 ago?

11 A. That is straight from, yes, the pages on the
12 feedbacks.

13:12:29 13 Q. In the price column, you've listed the price in
14 dollars, correct?

15 A. That's correct.

16 Q. Is that information you obtained from Alpha Bay?

17 A. That's information that came from the site on the
18 feedback pages.

19 Q. And is that the dollar value based on the date of
20 the sale?

21 A. To my I understanding, yes.

22 Q. If we could look now 15.02-A. You took all this
23 data and you added it up, right?

24 A. Correct.

25 Q. Are these the totals you came up with?

13:12:58 1 A. These are the totals that we came up with, yes.

2 Q. Let's focus for a minute above the line. How much

3 money, based on these feedback-linked sales, did

4 Pharma-Master make that you were able to see?

5 A. That I was able to see on the feedback, he made

6 \$2,817,520.93.

7 Q. And then the next line -- the next row there, you

8 have total items. Is that, like, the total number of what?

13:13:29 9 A. That's the total number of pills that we could

10 determine based on the feedback. And that's 872,659.

11 Q. And the total transactions?

12 A. Is 5,589, and that's the total transactions,

13 meaning each line was a separate entry and a separate sale.

14 Q. Let's focus for a minute now on the next row down.

15 Fentanyl-laced fake oxycodone. How many total orders for

16 oxycodone?

17 A. The total orders were 3,491.

13:13:59 18 Q. And then how many Fentanyl pills, the

19 Fentanyl-laced oxycodone pills?

20 A. Total quantity was 458,946.

21 Q. You have been doing this for some time? You have

22 been in your job for how many years, did you say?

23 A. Ten years.

24 Q. Does that number scare you?

13:14:27 25 A. Yes, it does.

1 Q. Just from his Fentanyl-laced oxycodone, how much
2 money did he make?

3 A. He made \$2,472,040.73.

4 Q. I think in the interest of time, we won't go
5 through the rest of the rows. Other than maybe just the
6 three italicized rows beneath it, if you could explain
7 briefly how you have broken that out?

13:14:58

8 A. We broke those down based on how he sold the
9 Fentanyl-laced product, whether it was an M Box or the Roxy
10 or Fentanyl. And, again, those were just the total orders
11 because we kept our spreadsheet, and we were documenting
12 what was sold as on the feedback. We were able to do the
13 total orders and the total quantity and total value for each
14 individual product he sold.

15 Q. He had those three ways of listing it, correct?

16 A. That's correct.

17 Q. Let's talk now about your target in Portland,
18 Trustworthy Money, for a minute.

13:15:30

19 Could we look at Exhibit 19.03. Who is that?

20 A. That is our target out there Jared Gillespie.

21 Q. And is Mr. Gillespie Trustworthy Money?

22 A. Yes, he was.

23 Q. Was he arrested?

24 A. Yes, he was.

25 Q. In this picture, does it appear that he's fanning

1 out cash in front of him?

2 A. Yes, it does.

3 Q. Does that appear to be a money counter in the
4 bottom corner?

5 A. Yes, it does.

13:15:58 6 Q. When he was arrested, did agents on scene, were
7 they able to view his phone?

8 A. Yes, they were.

9 Q. And the agents on scene, did they take a picture of
10 his phone and send it to you?

11 A. Yes, they did.

12 Q. Could we look at 19.00.

13 Is that the picture of his phone?

14 A. That is the picture of his phone that was sent to
15 me.

16 Q. And what do you -- what stands out in that picture
17 to you?

13:16:28 18 A. The things that stand out to me are the moniker for
19 Trustworthy Money. There's an pin number that's there. And
20 then, down at the bottom, it looks there's a seed recovery
21 of some kind there.

22 Q. Would a pin number be used, for example, to
23 withdraw Bitcoin from Alpha Bay?

24 A. Yes, it could.

25 Q. Let's talk about Mr. Gillespie or, by the name he

1 went by, Trustworthy Money's actions on Alpha Bay. Did you
13:16:58 2 look into what he had been doing on Alpha Bay?

3 A. Yes, I did. I looked at his public facing site on
4 Alpha Bay as well.

5 Q. Let's pull that up, could we look at 19.01?

6 THE COURT: This is relevant to this case?

7 MR. GADD: Yes, sir. It's charged in the
8 Indictment.

9 Q. BY MR. GADD: Is this that public facing site you
10 were mentioning?

11 A. Yes it is.

12 Q. Also called a user profile?

13 A. Correct.

13:17:27 14 Q. From this, were you able to see transactions that
15 Trustworthy Money entered into?

16 A. Yes, I was.

17 Q. You also were able to see is the feedback he left
18 to other sellers, correct?

19 A. Correct. I was able to see the feedback on it.

20 Q. And I said "other sellers." I shouldn't have said
21 that part, but you are see the feedback he left sellers?

22 A. That's correct, yes.

23 Q. Okay. Did you take his feedback and create a chart
24 that showed his feedback-linked transactions?

13:18:00 25 A. Yes, I did.

1 Q. Could we look at 19.02.

2 Is this the chart you created?

3 A. Yes it is.

4 Q. Could you just briefly walk us through what your
5 chart shows and maybe go column-by-column?

6 A. Okay. This chart was -- the first one is who he
7 bought the product from. The vendors are done just like the
8 users are, with the first letter and the last letter shown
9 for their moniker, the date of feedback that he left, also
10 the type of drug that he purchased -- if I was able to
11 identify the vendor that he purchased it from, I was able to
12 fill that blank in -- the amount that he purchased, as well
13 as the cost and then the vendor identified, if I was able to
14 find them.

15 Q. Many of these rows indicate Pharma-Master was the
16 vendor from which he purchased his drugs, correct?

17 A. That's correct.

18 Q. Do you see there about halfway down there's a
19 series of transactions for 10,000 pills?

20 A. Yes, I do.

21 Q. What do you think when you see a series of
22 transactions for 10,000 pills that are represented to be an
23 opiate?

24 A. I see -- I see a lot of pills being distributed out
25 in the street with the potential of overdose and possibly

1 overdose and dying.

2 Q. Could we look at the final page of the chart, page

3 3. There's a total at the bottom, correct?

4 A. That's correct.

5 Q. Is that how much money that Trustworthy Money had
6 spent on Alpha Bay, based on at least feedback-linked sales?

13:19:55 7 A. For the specific vendors that I could identify,
8 yes.

9 Q. Trustworthy Money, Mr. Gillespie, Jared Gillespie,
10 did he, based on your investigation, receive packages
11 himself or did he use a package receiver?

12 A. He used a package receiver.

13 Q. What was that package receiver's name?

14 A. Olivia Luckuck.

15 Q. Is that a real person?

16 A. Yes, it is.

17 Q. Could we look quickly at 14.30.

13:20:28 18 And then there's, I believe, 19 of these. I'm not
19 going to take you all through them.

20 A. Okay.

21 Q. Let's just look at the first one.

22 Could we look at page 996.

23 Do you see right down at the bottom of the page,
24 the final order there?

25 A. Yes, I do.

1 Q. Is that Olivia Luckuck?

2 A. Yes, it is.

3 Q. And was that the package receiver?

4 A. Yes, it was.

5 Q. As part of the broader investigation, a package
13:20:59 6 going to Ms. Luckuck and then eventually Mr. Gillespie was
7 seized, correct?

8 A. Yes, it was.

9 Q. And you used that package as part of your case
10 against him?

11 A. Yes, we did.

12 Q. Could we look at Exhibit 8.02. And we'll look at
13 the first two pages. That's the first page.

14 This was that package that you and I just referred
15 to, correct?

16 A. Yes, it is.

17 Q. And then could we look at the second page.

13:21:29 18 Does that show the contents that were inside the
19 package?

20 A. Yes, it does.

21 Q. Was it approximately 16,000 of the Fentanyl pills?

22 A. From what I recall, yes.

23 MR. GADD: Nothing further. Thank you.

24 THE COURT: Thank you.

25 Ms. Beckett, you may cross examine.

CROSS EXAMINATION

BY MS. BECKETT:

Q. Ms. Biundo, correct?

A. That's correct.

Q. If I say it incorrectly, feel free to correct me.

I believe it was your testimony that vendors on Alpha Bay heavily rely on feedback; is that correct?

A. That's correct.

Q. Why is that feedback important?

A. It's important for credibility and so that they can get more people to buy their product.

Q. So customer service is credibly important for a vendor on a service like Alpha Bay, correct?

A. Feedback or customer service?

Q. The feedback, dealing with customer complaints, dealing with those types of issues, that?

A. Yes.

Q. And because it affects seller ratings, correct?

A. That's correct.

Q. So essentially customer service angle of an Alpha Bay vendor is going to be vital to whether or not that particular vendor is successful?

A. Yes.

Q. If we could look at Exhibit 15.02. Thank you.

I believe that your testimony is that this is

1 essentially just kind of a summary exhibit of all of the
2 feedback-connected orders that you saw; is that correct?

3 A. That's correct.

4 Q. Did you individually verify each one of these
5 purchases?

6 A. Can you explain what you mean.

7 Q. The information appears to just be taken directly
8 from an Alpha Bay page, correct?

9 A. That's correct.

10 Q. Did you individually verify, say, this first
13:23:27 11 transaction at the top where the purchaser's initials are HN
12 for 9250? Did you individually verify that that was an
13 order that was shipped, received and that it contained what
14 it says here on here, Adderall?

15 A. I did not. That was not are part of my job, no.

16 Q. Was that part of someone's job that you're aware
17 of?

18 A. Not that I'm aware of.

19 Q. So this information is just taken directly off of
13:23:59 20 the feedback itself?

21 A. That's correct.

22 Q. Now let's look at Government's Exhibit 19.02, I
23 believe it was.

24 I believe it was your testimony that you were more
25 involved with the Trustworthy Money investigation than you

1 were with this, with this particular organization that we're
2 dealing with here in this case; is that correct?

13:24:28

3 A. That's what the connection was, was me working on
4 the Trustworthy Money site, yes.

5 Q. And this is essentially a summary exhibit of the
6 Trustworthy Money's public facing feedback-linked orders; is
7 that correct?

8 A. Feedback left.

9 Q. Left orders. Okay. Did you individually verify
10 any of these orders?

11 A. Me personally, no?

13:24:59

12 Q. Did somebody on maybe the team you worked with who
13 was investigating Trustworthy Money individually verify each
14 one of these orders?

15 A. That's a question you would have to ask the
16 investigators on that one. I'm not sure.

17 Q. That's not something you did?

18 A. No. That's not something I did.

19 Q. And this is just from looking at the public facing
20 page; is that correct?

21 A. That's correct.

22 Q. Did you ever have complete access to the
23 Trustworthy Money page itself?

24 A. I did not, no.

25 Q. So, there is a chance that the information would

13:25:29 1 not be accurate to what's on the private portion of that
2 page, correct?

3 A. To my knowledge, I don't believe that is correct.

4 Q. I believe you testified that, at a certain point in
5 time, there was a package that was seized that led to an
6 investigation into Jared Gillespie?

7 A. Uh-huh.

13:25:59 8 Q. And that package was on its way to Olivia Luckuck?

9 THE COURT: You need to answer audibly.

10 THE WITNESS: Yes. I'm sorry.

11 Q. BY MS. BECKETT: And that was what links to the
12 AlphaBay, Pharma-Master? That was the link between the two?

13 A. Which package are you talking about?

14 Q. The package that was seized on its way to Olivia
15 Luckuck?

16 A. That's correct.

17 Q. That was the link between the events in this case
18 and the events in the Trustworthy Money case, correct?

13:26:28 19 A. That was one of them, yes.

20 Q. So in Trustworthy Money, in that investigation,
21 there was an attempt to figure out who was further up the
22 chain from Jared Gillespie, correct, and that's what led to
23 your organization -- or your investigation into the
24 connection to Pharma-Master, correct?

25 A. It was a deconfliction notice that we got with

1 that.

13:26:56 2 MS. BECKETT: Just a second, Your Honor. I have no
3 further questions, Your Honor. Thank you.

4 THE COURT: Thank you, Ms. Beckett.
5 Redirect?

6 MR. GADD: No, sir. Thank you.

7 THE COURT: You may step down.

8 THE WITNESS: Thank you.

9 THE COURT: And you may be excused if you want to
10 be.

11 And you may call your next witness.

12 MR. GADD: Your Honor, the United States calls Tina
13 Young.

13:27:23 14 THE COURT: Come forward and be sworn, please, at
15 the podium.

16 TINA YOUNG,
17 the witness hereinbefore named, being first duly cautioned
18 and sworn or affirmed to tell the truth, the whole truth,
19 and nothing but the truth, was examined and testified as
20 follows:

13:27:57 21 THE CLERK: Please state your name and spell it for
22 the record.

23 THE WITNESS: My name is Tina. T-i-n-a. Young.
24 Y-o-u-n-g.

25 THE COURT: You may proceed, Mr. Gadd.

1 DIRECT EXAMINATION

2 BY MR. GADD:

3 Q. Good afternoon.

4 A. Hi.

5 Q. Thank you for your patience.

6 A. Thanks.

13:28:28 7 Q. Is this your first time in a courtroom?

8 A. Yes.

9 Q. Okay. So you can tell who the judge is here,
10 correct?

11 A. Yes.

12 Q. And then the jury is over here, so these are the
13 folks that have to make the decision. So I want to ask you
14 a few questions, but before I do that, can you just tell the
15 jury just a little bit about yourself.

16 A. I was born and raised here in Salt Lake City, still
13:28:56 17 live here. I have one child married 29 years a few days
18 ago.

19 Q. Congratulations. You -- in September of 2016, did
20 you make a complaint to the United States Postal Service?

21 A. I did.

22 Q. What was the nature of your complaint?

23 A. Well, I had received a box in the mail, and it
24 said -- it was addressed to somebody else, but then it
13:29:26 25 had -- I read return to sender, and it had my address, and

1 I'm, like, okay, so what am I supposed to do? And so I just
2 opened it, and there was an invoice in there that said,
3 like, Jamaica coffee beans or something, and I thought, hey,
4 I don't drink coffee myself, so my co-worker does, and she
5 does have a grinder at work, so I took them into work to her
13:29:58 6 because they felt like coffee beans, the packages. And.

7 She had taken them and then was going to -- she
8 took them home and was just going to grind the whole thing
9 at once and then decided, no, I'll just take them back to
10 work and grind them as we go. She's got, like, a little
11 single pot grinder. And then the next thing you know, she
13:30:27 12 comes running down the hallway: Tina, Tina, these aren't
13 coffee beans, they're drugs.

14 And I'm like, what? And I'm, like, what am I
15 supposed to do now.

16 And she said: Well, let's call the post office.

17 So I called the post office, and they told me to
18 turn them in, which I did. And that was about it.

19 Q. You said the bag kind of felt like coffee beans in
13:30:59 20 the middle. Were you not able to see into the bag?

21 A. No. It was kind of a metallic bag, kind of
22 metallic plastic type. It definitely wasn't see through.

23 Q. So, if I can take you back to that moment when your
24 co-worker told you they weren't coffee beans, did you
25 actually look inside the bag yourself?

1 A. Yes.

2 Q. To see what was in there? When you looked and you
13:31:27 3 saw what was inside, what did you think?

4 A. I was just shocked. Oh my gosh, what do we do?
5 And she said -- oh, also, when I called the post office,
6 they did tell me to see if there was a marking --

7 MR. SAM: Your Honor, I would object to that.

8 THE COURT: Hearsay?

9 MS. BECKETT: It's hearsay, Your Honor.

10 THE COURT: Sustained.

11 Q. BY MR. GADD: Let me ask you a separate question,
12 then. When you looked inside and you saw what was in it,
13 were you concerned for your safety?

13:31:59 14 A. I was concerned.

15 Q. So you filed your complaint with the post office,
16 correct?

17 A. Yes.

18 Q. And did a postal inspector meet with you?

19 A. They did.

20 Q. And did you turn over the drugs to that postal
21 inspector?

22 A. Yeah, of course -- no. I turned them into the post
23 office. It was the postal IG.

24 Q. Yes. And you told them what had happened
25 essentially?

1 A. Yes.

2 MR. GADD: Your Honor, I have no further questions,
13:32:30 3 thank you.

4 THE COURT: Thank you. Cross examine?

5 MS. BECKETT: No, Your Honor. We have no questions
6 of this witness.

7 THE COURT: Thank you.

8 You may step down, and you're excused.

9 THE WITNESS: Thank you.

10 THE COURT: You may call your next witness.

11 MR. GADD: Your Honor, the United States calls
12 Postal Inspector Lance Howell.

13 THE COURT: Come forward and be sworn, please.

14 LANCE HOWELL,

15 the witness hereinbefore named, being first duly cautioned
16 and sworn or affirmed to tell the truth, the whole truth,
17 and nothing but the truth, was examined and testified as
18 follows:

13:33:07 19 THE CLERK: Just come around to the witness box.
13:33:28 20 Please state your name and spell it for the record.

21 THE WITNESS: Lance Howell. L-a-n-c-e.
22 H-o-w-e-l-l.

23 THE COURT: Go ahead.

24 MR. GADD: Thank you, sir.
25

1 DIRECT EXAMINATION

2 BY MR. GADD:

3 Q. Inspector Howell, are you prepared to testify about
4 your part in the investigation of the drug distribution
5 activities of this defendant?

6 A. Yes.

7 Q. Before we do that, I want to give the jury just a
8 brief summary of your background and your experience. Can
13:33:59 9 you tell us a little bit about yourself.10 A. Yes. My name is Lance. I grew up here in Utah, in
11 Taylorsville, and I went to the University of Utah for my
12 undergraduate degree, and I got my graduate degree from
13 Weber State. I like sports, especially when I get to watch
14 my kids play. I'm a postal inspector. I started my federal
15 law enforcement career as a special agent with the Secret
16 Service in 2004 and, in 2012, I transferred to the Postal
13:34:29 17 Inspection Service and so I have had extensive training in
18 criminal investigations, to include drug distribution.19 Q. You're our first postal inspection witness, so
20 could you just tell them just briefly the nature of your
21 agency.22 A. Yes. So we are the law enforcement arm under the
23 umbrella of the post office, so we conduct criminal
24 investigations that involve the use of the mails or
13:34:56 25 facilities or employees of the postal service; so, mail

1 fraud, bank fraud, identity theft, drug distribution,
2 workplace violence cases. And we -- it's over 200 federal
3 statutes that we help enforce.

4 Q. I want to go in the reverse chronological order.
5 So I want to start at the end and then we'll go back.

6 A. Okay.

7 Q. So, were you working on November 22, 2016?

8 A. Yes.

9 Q. And at that point, you were fully involved in the
10 investigation of Mr. Shamo and his co-conspirators, correct?

11 A. Correct. Yes.

12 Q. Did you participate in either of the two search
13 warrants that took place that day?

14 A. Yes, I did.

15 Q. Which one were you at?

16 A. The one in South Jordan.

17 Q. That was the residence of Ms. Tonge and Ms. Bustin,
18 correct?

19 A. Yes.

20 Q. Did agents who were there with you, did they
21 interview Ms. Tonge?

22 A. They did.

23 Q. As a result of that, what, if anything, were you
24 asked to do?

13:35:56 25 A. The agency that interviewed Tonge had asked me to

1 go retrieve parcels, parcels that she said she had mailed
2 earlier either that day or later the night before, so I went
3 to the post office. I believe it was the West Jordan post
4 office, and I retrieved parcels that she said she had
5 mailed, and also a blue collection box. I don't remember
6 the exact address, but she had told us which box she had
7 dropped them in. And I went to that box and I retrieved
8 parcels there as well.

9 Q. Were you told specifically that it would be 20
10 parcels?

13:36:30 11 A. Yes.

12 Q. And did they even tell you what return name to look
13 for?

14 A. Yes. So I knew exactly what I was looking for and
15 then I found 20 parcels.

16 Q. Okay. I mentioned we're going backwards now.

17 A. Sure.

18 Q. So now I want to take you back to September 23,
19 2016. Were you asked by your -- your management to contact
20 someone named Tina Young about a complaint she had made?

13:37:00 21 A. Yes.

22 Q. What was the nature of the complaint?

23 A. Tina had called in and said that she had received a
24 package in the mail as a return to sender. So she opened it
25 up and found an invoice in there for Jamaica coffee beans,

1 and she said they weren't Jamaica coffee beans, they were
2 pills. And she said she did not mail that package, so I
3 arranged to meet her at her place of work, which is the
13:37:30 4 federal building downtown in Salt Lake City to retrieve
5 those pills from her. And so, on that same day, I met her
6 at the federal building and took custody of the pills.

7 Q. I want to show you Exhibit 20.00. Do you recognize
8 that exhibit?

9 A. Yes.

13:37:59 10 Q. Are those the pills that you recovered from
11 Ms. young?

12 A. Yes.

13 Q. Those are not small, blue fake oxycodone pills,
14 correct?

15 A. Right. They are marked -- I can't remember the
16 exact markings -- but as generic Zanax.

17 Q. And once you got them, into whose custody did you
18 transfer -- or did the Postal Inspection Service transfer
19 those pills?

20 A. Yes. So, the pills were then transferred to the
13:38:43 21 DEA.

22 Q. I missed one thing when we were going over the 20
23 packages you seized. Once you had them, were those packages
24 also transferred to the DEA?

25 A. Right. Yes.

1 MR. GADD: Nothing further. Thank you.

2 THE COURT: Thank you.

13:38:59 3 You may cross examine.

4 MR. SAM: I have no questions of this witness.

5 THE COURT: Thank you.

6 Thank you, Mr. Howell, and you are excused.

7 THE COURT: The government may call its next
8 witness.

9 MR. GADD: Your Honor, the United States calls
10 Megan -- excuse me. The United States calls Postal
11 Inspector Megan Moore.

12 THE COURT: Come forward and be sworn, please.

13 MEGAN MOORE,
14 the witness hereinbefore named, being first duly cautioned
15 and sworn or affirmed to tell the truth, the whole truth,
16 and nothing but the truth, was examined and testified as
17 follows:

13:39:20 18 THE CLERK: Please state your name and spell it for
19 the record.

20 THE WITNESS: Megan Moore. M-e-g-a-n. M-o-o-r-e.

21 THE COURT: You may proceed, Mr. Gadd.

22 THE WITNESS: Mr. Gadd, would you like these back?

13:39:58 23 MR. GADD: I would. Thank you. You.

24

25

1 DIRECT EXAMINATION

2 BY MR. GADD:

3 Q. Are you also prepared to testify about your part in
4 the investigation of the drug distribution activities of
5 Mr. Shamo?

6 A. I am.

7 Q. Like the witness before, if you could just give the
8 jury a brief summary of your background and experience
9 before we jump into it.

10 A. Okay.

13:40:28 11 Q. Can you tell us a little bit about yourself?

12 A. Sure. I was born and raised on the east coast. I
13 come from a family of teachers and first responders, so I
14 knew from a young age I wanted to get into the public
15 service. As I got older, my interests gravitated toward law
16 enforcement. I graduated from college with a bachelor's
17 degree in sociology with a concentration in criminal
18 justice. After college, I spent four years as an analyst
19 with the Postal Inspection Service.

20 I was hired on as a postal inspector in 2014, when
13:41:00 21 they moved me from the east coast to far less humid Utah,
22 which I prefer. My husband and I fell in love with Utah.
23 We have made it our home, and, in doing so, we adopted a
24 five-year old black lab thinking he would be rugged and
25 outdoorsy, and we quickly found out he is not rugged or

1 outdoorsy.

2 Q. But he's yours for life?

3 A. Yes. He's awesome.

13:41:29

4 Q. We just heard from your co-worker Lance Howell
5 about the Postal Inspection Service. Can you tell us a
6 little bit about your specific duties there?

7 A. Yes. So I work primarily gun and drug trafficking
8 investigations. We have a variety of investigations that
9 our agency works. Our office here is technically
10 miscellaneous, so we all, at different times, work different
11 investigations, but my primary assignment is gun and drug
12 trafficking.

13 Q. Have you worked more traditional drug trafficking
14 organizations?

13:41:58

15 A. I have a bit, but my specialty or the area I have
16 the most experience in is Dark Web investigations.

17 Q. And they are different types of organizations,
18 right?

19 A. Uh-huh.

20 Q. Can you tell us a few of the differences, for
21 example?

22 A. Yeah. They are very different. In my experience,
23 traditional narcotics trafficking investigations are what we
24 think of when you think of moving drugs from, say, Mexico or
25 California or different places, you move them to different

13:42:28 1 states, to different distributors, and typically I think of
2 that end result is hand-to-hand drug sales. Internet-based
3 or Dark Web drug trafficking organizations traffic their
4 drugs using the internet and, unfortunate to say, but it
5 often results in the use of the postal service as well.

6 Q. Why do they like the postal service so much?

7 A. They are protected by the Fourth Amendment.

8 Q. So if a package is running through a post office
9 and you look at it and you think, I'd like to look inside of
10 it. Can you just open it up?

11 A. No. I would have to have consent from the sender
12 or the recipient, or I would have to apply for and obtain a
13 search warrant.

14 Q. Let's talk for a minute about a Davie City pill
15 package.

16 Could we look at Exhibit 18.00.

17 Did you help in the investigation of the overdose
18 death of Russlan Klyuev?

13:43:29 19 A. Yes.

20 Q. An death that occurred in Davie City, correct?

21 A. Correct.

22 Q. And as part of your investigation, did you generate
23 this exhibit?

24 A. Yes. I retrieved it from postal data bases, yes.

25 Q. That's a much better way of saying it. Thank you.

1 Could you walk the jury through what it is that we're seeing
2 here on the screen.

13:43:58 3 A. So this exhibit is the tracking information
4 associated with the package shipped from Mr. Shamo's
5 organization to the address of 3 Midvale Drive, Daly City,
6 California, the address of Mr. Gregory Lee and Russlan
7 Klyuev.

8 Q. Can you -- can you talk us through kind of the --
9 how many columns is that -- the third and fourth from the
10 right columns and kind of explain how the package moves in
13:44:29 11 transit and what you're able to see?

12 A. Sure. So we can see -- let's see. So the third
13 from the right is the date of the activity, the date and
14 approximate time of the activity. And then next to that is
15 the movement of the parcel. Do you want me to go on and
16 explain further.

17 Q. Yeah. Why don't you walk us through it.

18 A. So at the top we see, fourth from the right, that
19 the parcel is accepted or picked up. That means it entered
20 the mail stream. Next to that is the date of June 9, 2016.
13:44:59 21 Below that, it departed the post office, the location at
22 which it entered the mail stream or the -- I take that
23 back -- the facility that serviced wherever the parcel
24 entered the mail stream, like a blue collection box.

25 We see that it departed that post office on June 9,

1 2016. It was processed through a U.S.P.S. facility in Salt
2 Lake City, Utah that same day, which is common with
3 packages. They go to a larger facility to be sorted and
13:45:29 4 then sent out across the country. The next line is address
5 encoding. That's just encoding the address for correct
6 delivery. We see that it again is processed through a
7 U.S.P.S. facility two days later, June 11, 2016 in Richmond,
8 California, so that would be the local processing center in
9 California.

10 An en route exception, I'm not familiar with what
11 that's saying. The arrival at unit is when it arrives at
13:45:58 12 the post office that facilitates delivery to 3 Midvale Drive
13 and then below that is the confirmation that it was
14 delivered on June 11, 2016.

15 Q. So this package going to Mr. Klyuev's residence,
16 you have pretty good data on it. Why do you have such
17 detailed data?

18 A. So this data is kept as a -- over the course of
19 business, and primarily as a service to the customer. So,
13:46:27 20 in this case, this was a priority mail package. When the
21 customer pays for the tracking, it's them paying for the
22 transparency of the location of the parcel within the mail
23 stream, and that's what this data is showing.

24 Q. So, if this wasn't a tracked package, you actually
25 wouldn't have had as much data?

1 A. Perhaps.

2 Q. Were you in the courtroom when one of our two
13:46:55 3 shippers Ms. Tonge and Ms. Bustin flipped through their
4 notes, kind of loose pages of tracking numbers, and
5 identified the package going to Mr. Klyuev's residence?

6 A. Yes.

7 Q. Does the tracking number on your document here
8 match up with the one that was in their exhibit, Exhibit
9 1105, I believe?

10 A. It does.

11 Q. You verified that prior to Court?

12 A. Yes, I did.

13 Q. We won't go through it now. Let's look for a
14 minute, if we could, at Exhibit 18.01, the very last page.

13:47:28 15 Can you see that at the bottom there?

16 A. Yes.

17 Q. What can you tell us about this envelope from just
18 what you can see there?

19 A. Yes. So first I can tell that this is a priority
20 mail envelope. I can see that the return address is an
21 individual by the name of Aaron Sandoval at 2258 East 10140
13:47:55 22 South, Sandy, Utah. The ZIP code is 94092, which is
23 actually a typo -- that's not the correct ZIP code for that
24 location -- and then the to address, so the individual to
25 whom or the location the package would have been delivered

1 is Gregory Lee, 3 Midvale Drive, Daly City, California,
2 94015, and the last four are 21.05.

13:48:29

3 And then, up in the top corner, you see a sliver of
4 black.

5 Q. Can we maybe call out that sliver.

6 That's the one you were referring to?

7 A. It is. So, it looks blurry here, but that I can
8 recognize as a priority mail stamp.

9 Q. And then, if we can look at the previous page, so
10 just one up from there.

11 As you look at the envelope on what appears to be
12 the trash can inside the door, does that confirm what you
13 were able to see from the previous side?

13:48:57

14 A. It does confirm that that's a priority mail
15 envelope, yeah.

16 Q. Let's turn our attention now to Exhibit 17.06.

17 You're going to get that on your screen, but it's
18 also the chart you see next to you.

19 A. Okay.

20 Q. I want to ask you a question about T. J. Edwards.
21 Do you see him on there?

22 A. I do.

23 Q. Can you point him out for the jury?

24 A. He is bottom row, just below Mr. Crandall. Yes.

13:49:29

25 Thank you.

1 Q. What was Mr. Edwards' role in this organization?

2 A. He was a package recipient for Mr. Shamo.

3 Q. Did you interview him?

4 A. I did.

5 Q. Did he confess?

6 A. He did.

7 Q. Did you intercept a package going to him for
8 Mr. Shamo?

9 A. I did.

10 Q. I want to ask you about another person although
11 they are not on our chart here. Could we look at Exhibit

13:49:55 12 14.16. Do this and then we'll do 14.17 right after it.

13 Could you please read this.

14 A. Yes. Would you like me to explain?

15 Q. Yeah. That's probably more helpful.

16 A. Okay. So this is a conversation between Mr. Shamo
17 and friend Dan Allen, who we are familiar with in this
18 investigation, "we" meaning the investigative team. So it
19 starts, Mr. Shamo says: Dude, if you want to be my drop,
13:50:30 20 I'll order some Molly and give you a few free grams.

21 Question.

22 Mr. Allen says: Humm. My house has those shared
23 mailboxes. How would that work?

24 Mr. Shamo replies: It's on your name, the package,
25 so no one should touch it. It's a small package, too,

1 doesn't catch attention. Come get these free couches.

2 Would you like me to go on?

3 Q. That's good there, yeah. And the date changes
4 there, right?

13:50:58 5 A. Yeah. So that's a separate conversation.

6 Q. Yeah. What's a drop?

7 A. It's a location apart from where the main activity,
8 maybe in this case pill pressing, takes place. Oftentimes
9 we see this to keep law enforcement off the trail of who has
10 the product, who has the money, who is in a different role
11 in the organization.

12 Q. Okay. At other points in this trial, have we
13:51:27 13 referred to drops as names like package receivers?

14 A. Uh-huh.

15 Q. You have interviewed several package receivers,
16 correct?

17 A. Yes.

18 Q. To the best of your knowledge, did Mr. Shamo tell
19 his drops he was ordering Fentanyl?

20 A. No.

21 Q. Let's look at 14.17.

22 Starting at the top, can you kind of explain what
23 we're looking at here and then we'll go through it.

13:51:58 24 A. So this was also a conversation between Mr. Shamo
25 and his friend Dan Allen. This took place on August 23,

1 2016.

2 Q. And then could you start reading the conversation
3 for us.

4 A. Mr. Shamo says: Hey, want to do me a big favor?

5 Mr. Allen replies: What's that, Dog?

6 Mr. Shamo says: I need two things in. Want to
7 help? I pay 400 each. Just something personal.

8 Mr. Allen replies: Humm, it's not really worth the
9 risk for me since I'm not hurting for cash anymore.

13:52:30 10 Mr. Allen also replies: My cousin might be down,
11 Tyler, who was over on Sunday.

12 Mr. Shamo replies: Deal. It's low risk. Ordered
13 from this guy dozens of times, and he only has me and few
14 other clients. Set it up.

15 Q. Let's change gears now, and let's talk about
16 stamps. Did Mr. Shamo's organization need postage?

17 A. They did.

13:52:59 18 Q. Did you find -- you and other agents, did you find
19 evidence of postage purchases?

20 A. Yes.

21 Q. Let's you and I buzz through these. How about
22 that?

23 A. Okay.

24 Q. Could we look first at 15.03.

25 What do you see here? What's this?

1 A. This is a priority mail label.

2 Q. That has to be purchased, correct?

3 A. Correct.

13:53:25 4 Q. And this was seized off of Sigaintt emails,
5 correct?

6 A. That's correct, yes.

7 Q. I say seized, but it was captured, discovered.
8 Those are all probably better terms, correct?

9 A. Yes.

10 Q. And there's multiple pages to this, correct?

11 A. Right.

12 Q. All right. Let's try 15.27.

13 Is this one of those emails, for example, where
14 that previous exhibit might have been taken from?

15 A. Yes.

13:53:58 16 Q. Was there a way to buy postage using Bitcoin?

17 A. Yes.

18 Q. How is it done?

19 A. So, to the best of my knowledge, if you -- I'm
20 trying not to get into the major nerdy postal terms. You
21 can order postage from a meter, so I think of it like if you
22 were to go to the fair and buy a roll of tickets to go on
13:54:28 23 rides, someone controls that entire roll of tickets, so
24 someone would control that entire meter. Individuals, like
25 in this case, could go and purchase tickets from that roll

1 or stamps from this meter, using Bitcoin, so if law
2 enforcement were to trace the purchase of that postage, it
3 would just go back to the meter. They wouldn't be able to
4 see who pulled what postage from that meter.

5 Q. That's, in effect, what was going on here in these
6 emails?

13:55:00 7 A. Exactly.

8 Q. Let's look at Exhibit 21.40. And then if we could
9 go to the next page.

10 The first page on these email exhibits, it's just
11 kind of like metadata for the email, right?

12 A. Yes. These were removed from Mr. Shamo's Hot Mail
13 account via a search warrant.

14 Q. Here he's buying postage, correct?

15 A. Correct.

13:55:28 16 Q. That stamp, I want to ask you a couple questions
17 about it. The first is the price, \$6.45?

18 A. Correct.

19 Q. What type of stamp costs \$6.45?

20 A. A priority mail stamp.

21 Q. And then do you see the writing at the bottom?

22 A. I do.

23 Q. Is that the same name that we saw on Ruslan's
24 package?

25 A. Yes.

1 Q. This was taken from Mr. Shamo's email?

2 A. It is. And if I may point out the date on this as
3 well --

4 Q. Please.

5 A. -- is also June of 2016.

13:55:59 6 Q. Could we look at Exhibit 21.01. And then the next
7 page.

8 What's going on here? What came in this email?

9 A. So, Mr. Shamo is negotiating the price of priority
10 mail stamps. He would like to buy the stamps in bulk.

13:56:23 11 Q. Let's look at 21.28. And then if we could go --
12 yeah, the next page there. Actually, what if we jumped down
13 to page 12.

14 Okay. What's going on in this email, the back and
15 forth there?

16 A. Yes. So Mr. Shamo is also looking to buy, in this
17 case, forever stamps, priority stamps and express shipping
18 stamps in bulk, and he's also looking to negotiate the
13:57:00 19 price.

20 Q. Could we look at 21.31. And then if we can go down
21 again.

22 Do you recognize this that was taken from his
23 email?

24 A. Yes, I do.

25 Q. It's going to refer to, like, a pre-stamped,

13:57:22 1 correct? So, picking up -- I apologize. Right here in the
2 middle: I want to buy your you U.S.P.S. priority stamps.
3 A. Uh-huh.
4 Q. Do you see there where he writes: Would you be
5 willing to sell a thousand priority stamps at 8600?
6 A. I do see that.
7 Q. Is that a discount?
8 A. If they are 6.45 each, that wouldn't be.
9 Q. If it was more than just a stamp, but a pre-stamped
13:57:59 10 envelope, could that be a discount?
11 A. That's possible, yes.
12 Q. Let's try 21.08.
13 This is the same, from Mr. Shamo's email, correct?
14 A. Correct.
15 Q. And he's purchasing additional stamps here?
16 A. Correct.
17 Q. Also in June?
18 A. Yes.
13:58:24 19 Q. How about 21.36. And if we could go down.
20 Did you -- were you in the courtroom when we heard
21 testimony that some of the stamps found in Ms. Tonge and
22 Ms. Bustin's residence were not legitimate?
23 A. Yes.
24 Q. Is that a problem you guys run into at the Postal
25 Inspection Service?

1 A. We do.

2 Q. If you look at this email that's now on the screen

13:58:54 3 here at 21.36, is the bottom half of that from Mr. Shamo,

4 starting with: Hey, I recently bought some stamps.

5 So, under the blue line.

6 A. Yes, it is.

7 Q. Could you read that, his question there?

8 A. Hey, I recently bought some stamps and wondering if
9 these are legit or counterfeit.

10 Q. And then you can skip the details of the stamp in
11 there. Does he say: Can you look into this?

12 A. Can you look into this? I don't want to use it if
13 someone reprinted these or they won't work. Thanks.

14 Q. Let's look just for a minute about -- or excuse me.
13:59:30 15 Let's look at some other prerequisites that were needed in
16 this organization that are not stamps. Then I promise we're
17 done. --

18 How about 21.23. And then if we can go down.

19 This was also taken from Mr. Shamo's email,
20 correct?

21 A. Correct.

22 Q. It's got his name on the top there.

23 A. Yes.

24 Q. What's he ordering here?

25 A. Vacuum sealer rolls.

13:59:56 1 Q. Then, if we could look at 21.39.

2 Are you familiar with Uline?

3 A. I am.

4 Q. What do they sell?

5 A. They sell, like, packaging materials.

6 Q. And this is an email seized as part of that search
7 warrant from Mr. Shamo's emails, right?

8 A. Correct.

9 Q. What is it that he's ordering?

10 A. He's ordering small food bags.

14:00:25 11 MR. GADD: If I can have just a moment.

12 Nothing further. Thank you.

13 THE COURT: Thank you. Defense may cross examine.

14:00:58 14 Ms. Beckett.

15 CROSS EXAMINATION

16 BY MS. BECKETT

17 Q. Could we look at Exhibit 18.00. I believe it's
18 your testimony that this particular document is essentially
19 the tracking information for a package sent to an individual
14:01:29 20 in Daly City, California; is that correct?

21 A. That's correct.

22 Q. Okay. And if we could look at Exhibit 18.01. I
23 believe it's -- I think it might be the second. I believe
24 it was your testimony that this particular package here is
14:01:58 25 that package being referenced in that transaction, in that

1 shipment tracking; is that correct?

2 A. The evidence on this package associated with all
3 the other evidence and the testimony of Ms. Tonge, would be
4 consistent with that statement.

5 Q. Okay. Who is that package addressed to?

6 A. Gregory Lee.

7 Q. Did you ever find any documentation of a package
8 being sent to Russlan Klyuev?

9 A. In general or --

14:02:30 10 Q. From the sales from Pharma-Master, does the name
11 Russlan Klyuev show up in any of those orders through any
12 investigation that you conducted?

13 A. No. The order was placed in the name of Gregory
14 Lee.

15 Q. And was in fact placed by Gregory Lee, correct?

16 A. I don't know the answer to that.

14:02:53 17 Q. If we could look at Government's Exhibit 14.16.
18 You went through some of the information on here, and I
19 believe it was your testimony that this was a conversation
20 between Mr. Shamo and his friend Dan Allen; is that correct?

21 A. That's correct.

22 Q. And I believe Mr. Gadd had you read through most of
23 this conversation, but down here at the bottom, those last
24 two statements from Mr. Allen, correct? Those last two are
25 from Mr. Allen?

1 A. Yes.

14:03:29 2 Q. What does that last message say on there?

3 A. The final line?

4 Q. Correct.

5 A. Where's your Siamese twin Luke at? Ha, ha.

6 Q. Do you know who that's referring to?

7 A. I could make assumptions.

8 Q. What might your assumption be based on your
9 knowledge of this case?

10 A. Luke Paz.

11 Q. And what's the date of that message?

12 A. July 28, 2016.

14:03:58 13 Q. Would you infer that to mean that Luke Paz and
14 Mr. Shamo maybe spent a significant amount of time around
15 one another?

16 A. I would infer that to mean that Mr. Allen knows
17 that Mr. Shamo knows Luke or someone by the name of Luke.

18 Q. And based on your assumption, that would be Luke
19 Paz that you mentioned a second ago?

20 A. Correct. Yes.

21 Q. If we could look at Government's Exhibit, I believe
22 it was 15.03. I might be wrong.

14:04:32 23 This is a priority mail stamp, correct, postage?

24 A. Yes.

25 Q. And I believe it was your testimony that those were

1 pulled from a Sigaintt email address?

2 A. That's correct.

3 Q. And whose email address was that?

4 A. That was an email address belonging to Alex Tonge.

5 Q. Yeah. And if we could look at Government's Exhibit
6 15.27.

14:05:01

7 So that -- is that -- if we could look at the to
8 line on that. Passthepeas@Sigaintt.org. Is that the email
9 address you're familiar with being for Alex Tonge and Katie
10 Bustin?

11 A. Yes. That's correct.

12 Q. And that would be the email address that received
13 that postage, correct?

14 A. Correct.

15 Q. And that email address, in fact, received a
16 significant amount of postage?

17 A. I can't answer that.

14:05:29

18 Q. You didn't look into how much postage was being
19 sent through that email address?

20 A. Can you restate your question prior to that?

21 Q. I can do that.

22 A. I apologize.

23 Q. Not a problem. And that email address did in fact
24 receive a significant amount of postage, correct?

25 A. Do you mean the postage consistent with what we

1 just viewed?

2 Q. Yes.

14:06:00 3 A. Yes. That is correct.

4 Q. If we could look at Government's Exhibit 21.02. I
5 believe it's 21.02. I think it was the second page on that.
6 I may have been incorrect on that. One second.

7 Could you look at the first page on that one -- or
14:06:46 8 bear with me one second. I apologize.

14:06:51 9 A. No problem.

10 Q. If we could try 21.40. I'm going to attempt this
11 again.

12 THE COURT: 21.40?

13 MS. BECKETT: Correct. And I believe it might be
14 the second page on that one.

15 I believe it was your testimony that this
16 particular stamp and this image matched the stamp you saw on
14:07:26 17 the package for Gregory Lee, addressed to Gregory Lee; is
18 that correct?

19 A. That is correct.

20 Q. If we could just highlight the order -- the date
21 this order was placed on.

22 Can you see that date there?

23 A. I can.

24 Q. What is that date?

25 A. June 22, 2016.

1 Q. What date was the package delivered to Gregory Lee
2 in?

3 A. June 11, 2016.

4 Q. So this order was placed after that, correct?

5 A. Right. So Mr. Shamo is purchasing this postage
14:08:00 6 during June of 2016.

7 Q. But this particular order that references those
8 particular stamps are not -- would have occurred after that
9 package was delivered, not before, correct?

10 A. Correct. So he was familiar with this postage in
11 June of 2016.

12 Q. Just one second.

13 MS. BECKETT: I have no further questions, Your
14 Honor.

15 THE COURT: Thank you, Ms. Beckett.

16 Redirect?

17 MR. GADD: No, sir. Thank you.

18 THE COURT: Thank you.

14:08:28 19 Thank you, and you may step down. And you're
20 excused if you want to be.

21 Ten after. We don't need to start a new witness
22 today, do we?

23 MR. GADD: No, sir.

24 THE COURT: Ladies and gentlemen of the jury, thank
25 you for your attention, your work. We know you've got lives

1 and families and jobs and problems, but as I said on last
2 Friday, our system wouldn't work unless people like you came
3 in and sat on our juries, and we appreciate your work. Have
4 a nice weekend. Be safe. Don't communicate with anybody
14:08:56 5 about the case, and we will see you at 8:30 on Monday
6 morning. Thank you.

7 THE CLERK: All rise, please.

8 (Whereupon the jury leaves the courtroom.)

14:09:28 9 We'll be in recess on this matter until 8:30
10 Monday. Thank you.

11 MR. GADD: Thank you.

12 MR. SKORDAS: Thank you, Judge.

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24 (Whereupon the proceedings were concluded for the day.)
25

REPORTER'S CERTIFICATE

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

I, REBECCA JANKE, do hereby certify that I am a
Certified Court Reporter for the State of Utah;

That as such Reporter I attended the hearing of
the foregoing matter on August 16, 2020, and thereat
reported in Stenotype all of the testimony and proceedings
had, and caused said notes to be transcribed into
typewriting, and the foregoing pages numbered 786 through
955 constitute a full, true and correct record of the
proceedings transcribed.

That I am not of kin to any of the parties and
have no interest in the outcome of the matter;

And hereby set my hand and seal this 14th day of
December, 2020.

REBECCA JANKE, CSR, RPR, RMR